REFINITIV

DELTA REPORT

10-Q

AGO - ASSURED GUARANTY LTD

10-Q - SEPTEMBER 30, 2022 COMPARED TO 10-Q - JUNE 30, 2022

The following comparison report has been automatically generated

TOTAL DELTAS	2150
CHANGES	644
DELETIONS	720
ADDITIONS	786

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

☒ **QUARTERLY REPORT UNDER SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the Quarterly Period Ended June 30, 2022 September 30, 2022

or

☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition Period from to

Commission File No. 001-32141

ago-20220930_g1.jpg

ASSURED GUARANTY LTD.
(Exact name of registrant as specified in its charter)

Bermuda	**98-0429991**
(State or other jurisdiction of incorporation)	(I.R.S. employer identification no.)

30 Woodbourne Avenue
Hamilton HM 08, Bermuda
(Address of principal executive offices)
(441) 279-5700
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class:		Trading Symbol(s)	Name of exchange on which registered
Common Shares	$0.01 par value per share	AGO	New York Stock Exchange
Assured Guaranty US Holdings Inc. 5.000% Senior Notes due 2024 (and the related guarantee of Registrant)		AGO 24	New York Stock Exchange
Assured Guaranty US Holdings Inc. 3.150% Senior Notes due 2031 (and the related guarantee of Registrant)		AGO/31	New York Stock Exchange
Assured Guaranty US Holdings Inc. 3.600% Senior Notes due 2051 (and the related guarantee of Registrant)		AGO/51	New York Stock Exchange

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company or an emerging growth company. See definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐ Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The number of registrant's Common Shares ($0.01 par value) outstanding as of August 2, 2022 November 4, 2022 was 61,942,843 59,994,458 (includes 36,403 unvested restricted shares).

ASSURED GUARANTY LTD.
INDEX TO FORM 10-Q

PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

Assured Guaranty Ltd.

Condensed Consolidated Balance Sheets (Unaudited)

(dollars in millions except share data)

		As of			As of	
		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
Assets	**Assets**			**Assets**		
Investments:	Investments:			Investments:		
Fixed-maturity securities, available-for-sale, at fair value, net of allowance for credit loss of $51 and $42 (amortized cost of $7,803 and $7,822)		$ 7,396	$ 8,202			
Fixed-maturity securities, available-for-sale, at fair value, net of allowance for credit loss of $57 and $42 (amortized cost of $7,506 and $7,822)				Fixed-maturity securities, available-for-sale, at fair value, net of allowance for credit loss of $57 and $42 (amortized cost of $7,506 and $7,822)	$ 6,780	$ 8,202
Fixed-maturity securities, trading, at fair value	Fixed-maturity securities, trading, at fair value	87	—	Fixed-maturity securities, trading, at fair value	393	—
Short-term investments, at fair value	Short-term investments, at fair value	863	1,225	Short-term investments, at fair value	1,177	1,225
Other invested assets (includes $23 and $31, at fair value)		150	181			
Other invested assets (includes $24 and $31, at fair value)				Other invested assets (includes $24 and $31, at fair value)	130	181
Total investments	Total investments	8,496	9,608	Total investments	8,480	9,608
Cash	Cash	138	120	Cash	131	120

Premiums receivable, net of commissions payable	Premiums receivable, net of commissions payable	1,235	1,372	Premiums receivable, net of commissions payable	1,178	1,372
Deferred acquisition costs	Deferred acquisition costs	139	131	Deferred acquisition costs	142	131
Salvage and subrogation recoverable	Salvage and subrogation recoverable	502	801	Salvage and subrogation recoverable	385	801
Financial guaranty variable interest entities’ assets, at fair value	Financial guaranty variable interest entities’ assets, at fair value	264	260	Financial guaranty variable interest entities’ assets, at fair value	236	260
Assets of consolidated investment vehicles (includes $5,234 and $4,902, at fair value)		5,456	5,271			
Assets of consolidated investment vehicles (includes $5,151 and $4,902, at fair value)				Assets of consolidated investment vehicles (includes $5,151 and $4,902, at fair value)	5,336	5,271
Goodwill and other intangible assets	Goodwill and other intangible assets	169	175	Goodwill and other intangible assets	166	175
Other assets (includes $130 and $132, at fair value)		561	470			
Other assets (includes $129 and $132, at fair value)				Other assets (includes $129 and $132, at fair value)	606	470
Total assets	**Total assets**	**$ 16,960**	**$ 18,208**	**Total assets**	**$ 16,660**	**$ 18,208**
Liabilities	**Liabilities**			**Liabilities**		
Unearned premium reserve	Unearned premium reserve	$ 3,585	$ 3,716	Unearned premium reserve	$ 3,596	$ 3,716
Loss and loss adjustment expense reserve	Loss and loss adjustment expense reserve	716	869	Loss and loss adjustment expense reserve	882	869
Long-term debt	Long-term debt	1,674	1,673	Long-term debt	1,675	1,673
Credit derivative liabilities, at fair value	Credit derivative liabilities, at fair value	148	156	Credit derivative liabilities, at fair value	195	156
Financial guaranty variable interest entities’ liabilities, at fair value (with recourse $267 and $269, without recourse $15 and $20)		282	289			
Liabilities of consolidated investment vehicles (includes $4,125 and $3,849, at fair value)		4,568	4,436			
Financial guaranty variable interest entities’ liabilities, at fair value (with recourse $238 and $269, without recourse $13 and $20)				Financial guaranty variable interest entities’ liabilities, at fair value (with recourse $238 and $269, without recourse $13 and $20)	251	289
Liabilities of consolidated investment vehicles (includes $4,209 and $3,849, at fair value)				Liabilities of consolidated investment vehicles (includes $4,209 and $3,849, at fair value)	4,447	4,436
Other liabilities	Other liabilities	419	569	Other liabilities	440	569
Total liabilities	**Total liabilities**	**11,392**	**11,708**	**Total liabilities**	**11,486**	**11,708**
Commitments and contingencies (Note 13)	**Commitments and contingencies (Note 13)**			**Commitments and contingencies (Note 13)**		
Redeemable noncontrolling interests (Note 8)	**Redeemable noncontrolling interests (Note 8)**	**21**	**22**	**Redeemable noncontrolling interests (Note 8)**	**21**	**22**
Shareholders’ equity	**Shareholders’ equity**			**Shareholders’ equity**		

Common shares ($0.01 par value, 500,000,000 shares authorized; 62,475,739 and 67,518,424 shares issued and outstanding)		1	1			
Common shares ($0.01 par value, 500,000,000 shares authorized; 60,719,431 and 67,518,424 shares issued and outstanding)				Common shares ($0.01 par value, 500,000,000 shares authorized; 60,719,431 and 67,518,424 shares issued and outstanding)	1	1
Retained earnings	Retained earnings	5,672	5,990	Retained earnings	5,579	5,990
Accumulated other comprehensive income (loss), net of tax of $(61) and $60		(370)	300			
Accumulated other comprehensive income (loss), net of tax of $(100) and $60				Accumulated other comprehensive income (loss), net of tax of $(100) and $60	(652)	300
Deferred equity compensation	Deferred equity compensation	1	1	Deferred equity compensation	1	1
Total shareholders' equity attributable to Assured Guaranty Ltd.	**Total shareholders' equity attributable to Assured Guaranty Ltd.**	5,304	6,292	**Total shareholders' equity attributable to Assured Guaranty Ltd.**	4,929	6,292
Nonredeemable noncontrolling interests (Note 8)	Nonredeemable noncontrolling interests (Note 8)	243	186	Nonredeemable noncontrolling interests (Note 8)	224	186
Total shareholders' equity	**Total shareholders' equity**	**5,547**	**6,478**	**Total shareholders' equity**	**5,153**	**6,478**
Total liabilities, redeemable noncontrolling interests and shareholders' equity	**Total liabilities, redeemable noncontrolling interests and shareholders' equity**	**$ 16,960**	**$ 18,208**	**Total liabilities, redeemable noncontrolling interests and shareholders' equity**	**$ 16,660**	**$ 18,208**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Assured Guaranty Ltd.

Condensed Consolidated Statements of Operations (Unaudited)

(dollars in millions except share data)

		Three Months Ended June 30,		**Six Months Ended June 30,**			**Three Months Ended September 30,**		**Nine Months Ended September 30,**	
		2022	**2021**	**2022**	**2021**		**2022**	**2021**	**2022**	**2021**
Revenues	**Revenues**					**Revenues**				
Net earned premiums	Net earned premiums	$ 82	$ 102	$ 296	$ 205	Net earned premiums	$ 89	$ 102	$ 385	$ 307
Net investment income	Net investment income	62	68	124	138	Net investment income	67	66	191	204
Asset management fees	Asset management fees	21	21	55	45	Asset management fees	16	20	71	65
Net realized investment gains (losses)	Net realized investment gains (losses)	(28)	4	(25)	1	Net realized investment gains (losses)	(14)	3	(39)	4

Fair value gains (losses) on credit derivatives	Fair value gains (losses) on credit derivatives	9	(33)	6	(52)	Fair value gains (losses) on credit derivatives	(48)	21	(42)	(31)
Fair value gains (losses) on committed capital securities	Fair value gains (losses) on committed capital securities	10	(6)	11	(25)	Fair value gains (losses) on committed capital securities	1	(3)	12	(28)
Fair value gains (losses) on financial guaranty variable interest entities	Fair value gains (losses) on financial guaranty variable interest entities	10	8	16	13	Fair value gains (losses) on financial guaranty variable interest entities	11	5	27	18
Fair value gains (losses) on consolidated investment vehicles	Fair value gains (losses) on consolidated investment vehicles	3	21	17	37	Fair value gains (losses) on consolidated investment vehicles	8	16	25	53
Foreign exchange gains (losses) on remeasurement	Foreign exchange gains (losses) on remeasurement	(71)	5	(101)	5	Foreign exchange gains (losses) on remeasurement	(80)	(27)	(181)	(22)
Fair value gains (losses) on trading securities	Fair value gains (losses) on trading securities	(18)	—	(22)	—	Fair value gains (losses) on trading securities	(8)	—	(30)	—
Other income (loss)	Other income (loss)	10	6	13	6	Other income (loss)	(1)	9	12	15
Total revenues	**Total revenues**	90	196	390	373	**Total revenues**	41	212	431	585
Expenses	**Expenses**					**Expenses**				
Loss and loss adjustment expenses (benefit)	Loss and loss adjustment expenses (benefit)	(11)	(16)	46	14	Loss and loss adjustment expenses (benefit)	(75)	(68)	(29)	(54)
Interest expense	Interest expense	20	23	40	44	Interest expense	20	23	60	67
Loss on extinguishment of debt						Loss on extinguishment of debt	—	175	—	175
Amortization of deferred acquisition costs	Amortization of deferred acquisition costs	3	4	7	7	Amortization of deferred acquisition costs	4	3	11	10
Employee compensation and benefit expenses	Employee compensation and benefit expenses	59	54	132	114	Employee compensation and benefit expenses	57	59	189	173
Other operating expenses	Other operating expenses	41	40	83	97	Other operating expenses	37	38	120	135
Total expenses	**Total expenses**	112	105	308	276	**Total expenses**	43	230	351	506
Income (loss) before income taxes and equity in earnings (losses) of investees	**Income (loss) before income taxes and equity in earnings (losses) of investees**	(22)	91	82	97	**Income (loss) before income taxes and equity in earnings (losses) of investees**	(2)	(18)	80	79
Equity in earnings (losses) of investees	Equity in earnings (losses) of investees	—	34	(11)	43	Equity in earnings (losses) of investees	(20)	23	(31)	66

Income (loss) before income taxes	**Income (loss) before income taxes**	(22)	125	71	140	**Income (loss) before income taxes**	(22)	5	49	145
Less: Provision (benefit) for income taxes	Less: Provision (benefit) for income taxes	3	23	21	23	Less: Provision (benefit) for income taxes	(27)	(15)	(6)	8
Net income (loss)	**Net income (loss)**	(25)	102	50	117	**Net income (loss)**	5	20	55	137
Less: Noncontrolling interests	Less: Noncontrolling interests	22	4	31	8	Less: Noncontrolling interests	(6)	3	25	11
Net income (loss) attributable to Assured Guaranty Ltd.	**Net income (loss) attributable to Assured Guaranty Ltd.**	**$ (47)**	**$ 98**	**$ 19**	**$ 109**	**Net income (loss) attributable to Assured Guaranty Ltd.**	**$ 11**	**$ 17**	**$ 30**	**$ 126**
Earnings per share:	**Earnings per share:**					**Earnings per share:**				
Basic	Basic	$ (0.74)	$ 1.31	$ 0.29	$ 1.44	Basic	$ 0.18	$ 0.22	$ 0.47	$ 1.67
Diluted	Diluted	$ (0.74)	$ 1.29	$ 0.29	$ 1.42	Diluted	$ 0.18	$ 0.22	$ 0.46	$ 1.66

The accompanying notes are an integral part of these condensed consolidated financial statements.

Assured Guaranty Ltd.

Condensed Consolidated Statements of Comprehensive Income (Loss) (Unaudited)

(in millions)

		Three Months Ended June 30,		Six Months Ended June 30,			Three Months Ended September 30,		Nine Months Ended September 30,	
		2022	2021	2022	2021		2022	2021	2022	2021
Net income (loss)	**Net income (loss)**	**$ (25)**	**$ 102**	**$ 50**	**$ 117**	**Net income (loss)**	**$ 5**	**$ 20**	**$ 55**	**$ 137**
Change in net unrealized gains (losses) on:	Change in net unrealized gains (losses) on:					Change in net unrealized gains (losses) on:				
Investments with no credit impairment, net of tax provision (benefit) of $(37), $10, $(100) and $(10)		(242)	51	(580)	(68)					
Investments with credit impairment, net of tax provision (benefit) of $(10), $6, $(19) and $5		(44)	24	(83)	18					
Investments with no credit impairment, net of tax provision (benefit) of $(39), $(8), $(139) and $(18)						Investments with no credit impairment, net of tax provision (benefit) of $(39), $(8), $(139) and $(18)	(277)	(66)	(857)	(134)
Investments with credit impairment, net of tax provision (benefit) of $1, $(2), $(18) and $3						Investments with credit impairment, net of tax provision (benefit) of $1, $(2), $(18) and $3	2	(6)	(81)	12

Change in net unrealized gains (losses) on investments	Change in net unrealized gains (losses) on investments	(286)	75	(663)	(50)	Change in net unrealized gains (losses) on investments	(275)	(72)	(938)	(122)
Change in instrument-specific credit risk on financial guaranty variable interest entities’ liabilities with recourse, net of tax	Change in instrument-specific credit risk on financial guaranty variable interest entities’ liabilities with recourse, net of tax	2	(2)	2	(3)	Change in instrument-specific credit risk on financial guaranty variable interest entities’ liabilities with recourse, net of tax	(3)	2	(1)	(1)
Other, net of tax	Other, net of tax	(8)	(1)	(9)	—	Other, net of tax	(4)	(1)	(13)	(1)
Other comprehensive income (loss)	**Other comprehensive income (loss)**	**(292)**	**72**	**(670)**	**(53)**	**Other comprehensive income (loss)**	**(282)**	**(71)**	**(952)**	**(124)**
Comprehensive income (loss)	**Comprehensive income (loss)**	**(317)**	**174**	**(620)**	**64**	**Comprehensive income (loss)**	**(277)**	**(51)**	**(897)**	**13**
Less: Comprehensive income (loss) attributable to noncontrolling interests	Less: Comprehensive income (loss) attributable to noncontrolling interests	22	4	31	8	Less: Comprehensive income (loss) attributable to noncontrolling interests	(6)	3	25	11
Comprehensive income (loss) attributable to Assured Guaranty Ltd.	**Comprehensive income (loss) attributable to Assured Guaranty Ltd.**	**$ (339)**	**$ 170**	**$ (651)**	**$ 56**	**Comprehensive income (loss) attributable to Assured Guaranty Ltd.**	**$ (271)**	**$ (54)**	**$ (922)**	**$ 2**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Assured Guaranty Ltd.

Condensed Consolidated Statements of Shareholders’ Equity (Unaudited) - (Continued)

(dollars in millions, except share data)

For the Three Months Ended June 30, 2022 September 30, 2022

			Shareholders’ Equity Attributable to Assured Guaranty Ltd.						
		Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Deferred Equity Compensation	Total	Nonredeemable Noncontrolling Interests	Shareholders’ Equity
Balance at March 31, 2022		**65,043,547**	**$ 1**	**$ 5,878**	**$ (78)**	**$ 1**	**$ 5,802**	**$ 193**	**$ 5,995**
Balance at June 30, 2022									
Net income (loss)	Net income (loss)	—	—	(47)	—	—	(47)	22	(25)
Dividends ($0.25 per share)		—	—	(16)	—	—	(16)	—	(16)
Dividends ($0.25 per share)									
Contributions	Contributions	—	—	—	—	—	—	35	35

		Shareholders’ Equity Attributable to Assur			
	Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Def E Comp
Balance at June 30, 2022	**62,475,739**	**$ 1**	**$ 5,672**	**$ (370)**	**$**
Net income (loss)	—	—	11	—	
Dividends ($0.25 per share)	—	—	(16)	—	
Contributions	—	—	—	—	

Common shares repurchases	Common shares repurchases	(2,605,947)	—	(151)	—	—	(151)	—	(151)	Common shares repurchases	(1,790,395)	—	(97)	—
Share-based compensation	Share-based compensation	38,139	—	8	—	—	8	—	8	Share-based compensation	34,087	—	9	—
Distributions	Distributions	—	—	—	—	—	—	(7)	(7)	Distributions	—	—	—	—
Other comprehensive loss	Other comprehensive loss	—	—	—	(292)	—	(292)	—	(292)	Other comprehensive loss	—	—	—	(282)
Balance at June 30, 2022		**62,475,739**	**$ 1**	**$ 5,672**	**$ (370)**	**$ 1**	**$ 5,304**	**$ 243**	**$ 5,547**					
Balance at September 30, 2022										**Balance at September 30, 2022**	**60,719,431**	**$ 1**	**$ 5,579**	**$ (652) $**

For the Three Months Ended June 30, 2021 September 30, 2021

		Shareholders' Equity Attributable to Assured Guaranty Ltd.									Shareholders' Equity Attributable to Assure				
		Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Deferred Equity Compensation	Total	Nonredeemable Noncontrolling Interests	Shareholders' Equity		Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Defe Equ Compe
Balance at March 31, 2021		**75,935,382**	**$ 1**	**$ 6,055**	**$ 373**	**$ 1**	**$ 6,430**	**$ 42**	**$ 6,472**						
Balance at June 30, 2021										**Balance at June 30, 2021**	**74,112,554**	**$ 1**	**$ 6,056**	**$ 445**	**$**
Net income	Net income	—	—	98	—	—	98	4	102	Net income	—	—	17	—	
Dividends ($0.22 per share)	Dividends ($0.22 per share)	—	—	(17)	—	—	(17)	—	(17)	Dividends ($0.22 per share)	—	—	(16)	—	
Contributions	Contributions	—	—	—	—	—	—	6	6	Contributions	—	—	—	—	
Common shares repurchases	Common shares repurchases	(1,887,531)	—	(88)	—	—	(88)	—	(88)	Common shares repurchases	(2,918,993)	—	(140)	—	
Share-based compensation	Share-based compensation	64,703	—	8	—	—	8	—	8	Share-based compensation	48,379	—	7	—	
Distributions	Distributions	—	—	—	—	—	—	(3)	(3)	Distributions	—	—	—	—	
Other comprehensive income		—	—	—	72	—	72	—	72						
Balance at June 30, 2021		**74,112,554**	**$ 1**	**$ 6,056**	**$ 445**	**$ 1**	**$ 6,503**	**$ 49**	**$ 6,552**						
Other comprehensive loss										Other comprehensive loss	—	—	—	(71)	
Balance at September 30, 2021										**Balance at September 30, 2021**	**71,241,940**	**$ 1**	**$ 5,924**	**$ 374**	**$**

Assured Guaranty Ltd.

Condensed Consolidated Statements of Shareholders' Equity (Unaudited) - (Continued)

(dollars in millions, except share data)

For the Six Nine Months Ended June 30, 2022 September 30, 2022

	Shareholders' Equity Attributable to Assured Guaranty Ltd.	Shareholders' Equity Attributable to Assur

	Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Deferred Equity Compensation	Total	Nonredeemable Noncontrolling Interests	Shareholders' Equity
Balance at December 31, 2021	**67,518,424**	**$ 1**	**$ 5,990**	**$ 300**	**$ 1**	**$ 6,292**	**$ 186**	**$ 6,478**
Net income	—	—	19	—	—	19	32	51
Dividends ($0.50 per share)	—	—	(33)	—	—	(33)	—	(33)
Contributions	—	—	—	—	—	—	40	40
Common shares repurchases	(5,344,170)	—	(306)	—	—	(306)	—	(306)
Share-based compensation	301,485	—	2	—	—	2	—	2
Distributions	—	—	—	—	—	—	(15)	(15)
Other comprehensive loss	—	—	—	(670)	—	(670)	—	(670)
Balance at June 30, 2022	**62,475,739**	**$ 1**	**$ 5,672**	**$ (370)**	**$ 1**	**$ 5,304**	**$ 243**	**$ 5,547**

	Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Def E Comp
Balance at December 31, 2021	**67,518,424**	**$ 1**	**$ 5,990**	**$ 300**	**$**
Net income	—	—	30	—	
Dividends ($0.75 per share)	—	—	(49)	—	
Contributions	—	—	—	—	
Common shares repurchases	(7,134,565)	—	(403)		
Share-based compensation	335,572	—	11	—	
Distributions	—	—	—		
Other comprehensive loss	—		—	(952)	
Balance at September 30, 2022	**60,719,431**	**$ 1**	**$ 5,579**	**$ (652)**	**$**

For the Six Nine Months Ended June 30, 2021 September 30, 2021

		Shareholders' Equity Attributable to Assured Guaranty Ltd.						
	Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income	Deferred Equity Compensation	Total	Nonredeemable Noncontrolling Interests	Shareholders' Equity
Balance at December 31, 2020	**77,546,896**	**$ 1**	**$ 6,143**	**$ 498**	**$ 1**	**$ 6,643**	**$ 41**	**$ 6,684**
Net income	—	—	109	—	—	109	8	117
Dividends ($0.44 per share)	—	—	(34)	—	—	(34)	—	(34)
Contributions	—	—	—	—	—	—	9	9
Common shares repurchases	(3,874,065)	—	(165)	—	—	(165)	—	(165)
Share-based compensation	439,723	—	3	—	—	3	—	3
Distributions	—	—	—	—	—	—	(9)	(9)
Other comprehensive loss	—	—	—	(53)	—	(53)	—	(53)
Balance at June 30, 2021	**74,112,554**	**$ 1**	**$ 6,056**	**$ 445**	**$ 1**	**$ 6,503**	**$ 49**	**$ 6,552**

		Shareholders' Equity Attributable to Assur			
	Common Shares Outstanding	Common Shares Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Def E Comp
Balance at December 31, 2020	**77,546,896**	**$ 1**	**$ 6,143**	**$ 498**	**$**
Net income	—	—	126	—	
Dividends ($0.66 per share)	—	—	(50)	—	
Contributions	—	—	—	—	
Common shares repurchases	(6,793,058)	—	(305)	—	
Share-based compensation	488,102	—	10	—	
Distributions	—	—	—	—	
Other comprehensive loss	—	—	—	(124)	
Balance at September 30, 2021	**71,241,940**	**$ 1**	**$ 5,924**	**$ 374**	**$**

The accompanying notes are an integral part of these condensed consolidated financial statements.

Assured Guaranty Ltd.

Condensed Consolidated Statements of Cash Flows (Unaudited)

(in millions)

		Six Months Ended June 30,			Nine Months Ended September 30,	
		2022	2021		2022	2021
Net cash flows provided by (used in) operating activities	**Net cash flows provided by (used in) operating activities**	**$ (1,794)**	**$ (949)**	**Net cash flows provided by (used in) operating activities**	**$ (1,848)**	**$ (1,792)**
Cash flows from investing activities:	**Cash flows from investing activities:**			**Cash flows from investing activities:**		
Fixed-maturity securities, available-for-sale:	Fixed-maturity securities, available-for-sale:			Fixed-maturity securities, available-for-sale:		
Purchases	Purchases	(180)	(788)	Purchases	(279)	(1,025)
Sales	Sales	353	226	Sales	560	222
Maturities and paydowns	Maturities and paydowns	389	499	Maturities and paydowns	585	757
Short-term investments with original maturities of over three months:	Short-term investments with original maturities of over three months:			Short-term investments with original maturities of over three months:		
Purchases	Purchases	(28)	—	Purchases	(42)	—
Maturities and paydowns	Maturities and paydowns	9	30	Maturities and paydowns	23	32
Net sales (purchases) of short-term investments with original maturities of less than three months	Net sales (purchases) of short-term investments with original maturities of less than three months	379	(267)	Net sales (purchases) of short-term investments with original maturities of less than three months	64	125
Sales of fixed-maturity securities, trading	Sales of fixed-maturity securities, trading	68	—	Sales of fixed-maturity securities, trading	121	—
Paydowns of financial guaranty variable interest entities' assets	Paydowns of financial guaranty variable interest entities' assets	44	27	Paydowns of financial guaranty variable interest entities' assets	74	45
Purchases of other invested assets	Purchases of other invested assets	(8)	(35)	Purchases of other invested assets	(11)	(44)
Return of capital from and sales of other invested assets	Return of capital from and sales of other invested assets	34	54	Return of capital from and sales of other invested assets	35	61
Other	Other	(2)	(2)	Other	(2)	(4)

Net cash flows provided by (used in) investing activities	**Net cash flows provided by (used in) investing activities**	**1,058**	**(256)**	**Net cash flows provided by (used in) investing activities**	**1,128**	**169**
Cash flows from financing activities:	**Cash flows from financing activities:**			**Cash flows from financing activities:**		
Dividends paid	Dividends paid	(33)	(35)	Dividends paid	(49)	(51)
Repurchases of common shares	Repurchases of common shares	(303)	(165)	Repurchases of common shares	(400)	(305)
Net paydowns of financial guaranty variable interest entities' liabilities	Net paydowns of financial guaranty variable interest entities' liabilities	(65)	(23)	Net paydowns of financial guaranty variable interest entities' liabilities	(92)	(38)
Issuance of long-term debt, net of issuance costs	Issuance of long-term debt, net of issuance costs	—	495	Issuance of long-term debt, net of issuance costs	—	889
Paydown of long-term debt		—	(1)			
Redemptions and purchases of debt, including make-whole				Redemptions and purchases of debt, including make-whole	—	(620)
Other	Other	(7)	6	Other	(6)	7
Cash flows from consolidated investment vehicles:	Cash flows from consolidated investment vehicles:			Cash flows from consolidated investment vehicles:		
Proceeds from issuance of collateralized loan obligations	Proceeds from issuance of collateralized loan obligations	1,372	1,132	Proceeds from issuance of collateralized loan obligations	1,372	2,079
Repayment of collateralized loan obligations	Repayment of collateralized loan obligations	(372)	(2)	Repayment of collateralized loan obligations	(373)	(365)
Proceeds from issuance of warehouse financing debt	Proceeds from issuance of warehouse financing debt	791	546	Proceeds from issuance of warehouse financing debt	882	1,008
Repayment of warehouse financing debt	Repayment of warehouse financing debt	(744)	(750)	Repayment of warehouse financing debt	(758)	(1,061)
Borrowings under credit facilities	Borrowings under credit facilities	1	—	Borrowings under credit facilities	46	—
Contributions from noncontrolling interests to consolidated investment vehicles	Contributions from noncontrolling interests to consolidated investment vehicles	35	8	Contributions from noncontrolling interests to consolidated investment vehicles	52	33
Distributions to noncontrolling interests from consolidated investment vehicles	Distributions to noncontrolling interests from consolidated investment vehicles	(16)	(8)	Distributions to noncontrolling interests from consolidated investment vehicles	(19)	(10)
Net cash flows provided by (used in) financing activities	**Net cash flows provided by (used in) financing activities**	**659**	**1,203**	**Net cash flows provided by (used in) financing activities**	**655**	**1,566**

Effect of foreign exchange rate changes	Effect of foreign exchange rate changes	(2)	—	Effect of foreign exchange rate changes	(6)	(1)
Increase (decrease) in cash and cash equivalents and restricted cash	Increase (decrease) in cash and cash equivalents and restricted cash	(79)	(2)	Increase (decrease) in cash and cash equivalents and restricted cash	(71)	(58)
Cash and cash equivalents and restricted cash at beginning of period	Cash and cash equivalents and restricted cash at beginning of period	342	298	Cash and cash equivalents and restricted cash at beginning of period	342	298
Cash and cash equivalents and restricted cash at end of period	**Cash and cash equivalents and restricted cash at end of period**	**$ 263**	**$ 296**	**Cash and cash equivalents and restricted cash at end of period**	**$ 271**	**$ 240**

(continued on next page)

Assured Guaranty Ltd.

Condensed Consolidated Statements of Cash Flows (Unaudited) - (Continued)

(in millions)

		Six Months Ended June 30,			Nine Months Ended September 30,	
		2022	2021		2022	2021
Supplemental cash flow information	**Supplemental cash flow information**			**Supplemental cash flow information**		
Income taxes paid (received)	Income taxes paid (received)	$ 97	$ —	Income taxes paid (received)	$ 97	$ 1
Interest paid on long-term debt	Interest paid on long-term debt	38	40	Interest paid on long-term debt	47	50
Supplemental disclosure of non-cash activities:	**Supplemental disclosure of non-cash activities:**			**Supplemental disclosure of non-cash activities:**		
Fixed-maturity securities, available-for-sale, received as salvage	Fixed-maturity securities, available-for-sale, received as salvage	$ 610	$ —	Fixed-maturity securities, available-for-sale, received as salvage	$ 610	$ —
Fixed-maturity securities, available-for-sale, ceded to a reinsurer	Fixed-maturity securities, available-for-sale, ceded to a reinsurer	27	—	Fixed-maturity securities, available-for-sale, ceded to a reinsurer	27	—
Fixed-maturity securities, trading, received as salvage	Fixed-maturity securities, trading, received as salvage	183	—	Fixed-maturity securities, trading, received as salvage	550	—
Fixed-maturity securities, trading, ceded to a reinsurer	Fixed-maturity securities, trading, ceded to a reinsurer	6	—	Fixed-maturity securities, trading, ceded to a reinsurer	6	—

Debt securities of financial guaranty variable interest entities received as salvage	Debt securities of financial guaranty variable interest entities received as salvage	54	—	Debt securities of financial guaranty variable interest entities received as salvage	54	—
Contributions from noncontrolling interests	Contributions from noncontrolling interests	26	1	Contributions from noncontrolling interests	32	1
Distributions to noncontrolling interests	Distributions to noncontrolling interests	20	1	Distributions to noncontrolling interests	53	1
		As of			As of	
		June 30, 2022	June 30, 2021		September 30, 2022	September 30, 2021
Reconciliation of cash and cash equivalents and restricted cash to the condensed consolidated balance sheets:	**Reconciliation of cash and cash equivalents and restricted cash to the condensed consolidated balance sheets:**			**Reconciliation of cash and cash equivalents and restricted cash to the condensed consolidated balance sheets:**		
Cash	Cash	$ 138	$ 144	Cash	$ 131	$ 101
Restricted cash (included in other assets)	Restricted cash (included in other assets)	—	4	Restricted cash (included in other assets)	1	1
Cash and cash equivalents of consolidated investment vehicles (Note 8)	Cash and cash equivalents of consolidated investment vehicles (Note 8)	125	148	Cash and cash equivalents of consolidated investment vehicles (Note 8)	139	138
Cash and cash equivalents and restricted cash at the end of period	Cash and cash equivalents and restricted cash at the end of period	$ 263	$ 296	Cash and cash equivalents and restricted cash at the end of period	$ 271	$ 240

The accompanying notes are an integral part of these condensed consolidated financial statements.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited)

1. Business and Basis of Presentation

Business

Assured Guaranty Ltd. (AGL and, together with its subsidiaries, Assured Guaranty or the Company) is a Bermuda-based holding company that provides, through its operating subsidiaries, credit protection products to the United States (U.S.) and international public finance (including infrastructure) and structured finance markets, as well as asset management services.

Through its insurance subsidiaries, the Company applies its credit underwriting judgment, risk management skills and capital markets experience primarily to offer financial guaranty insurance that protects holders of debt instruments and other monetary obligations from defaults in scheduled payments. If an obligor defaults on a scheduled payment due on an obligation, including a scheduled principal or interest payment (collectively, debt service), the Company is required under its unconditional and irrevocable financial guaranty to pay the amount of the shortfall to the holder of the obligation. The Company markets its financial guaranty insurance directly to issuers and underwriters of public finance and structured finance securities as well as to investors in such obligations. The Company guarantees obligations issued principally in the U.S. and the United Kingdom (U.K.), and also guarantees obligations issued in other countries and regions, including Western Europe, Canada and Australia. The Company also provides specialty insurance and reinsurance on transactions with risk profiles similar to those of its structured finance exposures written in financial guaranty form.

Through Assured Investment Management LLC (AssuredIM LLC) and its investment management affiliates (together with AssuredIM LLC, AssuredIM), the Company significantly increased its participation in the asset management business with the completion on October 1, 2019, of its acquisition of all of the outstanding equity interests in BlueMountain Capital Management, LLC (BlueMountain, now known as Assured Investment Management LLC) and its associated entities. AssuredIM is a diversified asset manager that serves as investment advisor to collateralized loan obligations (CLOs), opportunity and liquid strategy funds, as well as certain legacy hedge and opportunity funds now subject to an orderly wind-down. AssuredIM has managed structured and public finance, credit and special situation investments since 2003. AssuredIM provides investment advisory services while leveraging a technology-enabled risk platform, which aims to maximize returns for its clients.

Basis of Presentation

The unaudited interim condensed consolidated financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). In management's opinion, all material adjustments necessary for a fair statement of the financial condition, results of operations and cash flows of the Company, including its consolidated variable interest entities (VIEs), are reflected in the periods presented and are of a normal, recurring nature. The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities as of the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. As discussed in Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles, the three nine month period ended June 30, 2022 and the six month period ended June 30, 2022 each September 30, 2022 include two out-of period adjustments, totaling $9.0 million and $6.9 million in those two periods, respectively, in net income attributable to AGL. Management has determined these misstatements are not material to prior periods or to the financial statements taken as a whole.

These unaudited interim condensed consolidated financial statements are as of June 30, 2022 September 30, 2022 and cover the three- month three-month period ended June 30, 2022 (second September 30, 2022 (third quarter 2022), the three-month period ended June 30, 2021 (second September 30, 2021 (third quarter 2021), the six-month nine-month period ended June 30, 2022 (six September 30, 2022 (nine months 2022) and the six-month nine-month period ended June 30, 2021 (six September 30, 2021 (nine months 2021). Certain financial information that is normally included in annual financial statements prepared in accordance with GAAP, but is not required for interim reporting purposes, has been condensed or omitted. The year-end condensed consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by GAAP. Certain prior year balances have been reclassified to conform to the current year's presentation.

The unaudited interim condensed consolidated financial statements include the accounts of AGL, its direct and indirect subsidiaries, and its consolidated financial guaranty VIEs (FG VIEs) and consolidated investment vehicles (CIVs). See Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles. Intercompany accounts and transactions between and among all consolidated entities have been eliminated.

These unaudited interim condensed consolidated financial statements should be read in conjunction with the consolidated financial statements included in the Annual Report on Form 10-K for the year ended December 31, 2021, filed with the U.S. Securities and Exchange Commission (SEC).

The Company's principal insurance subsidiaries are:

- Assured Guaranty Municipal Corp. (AGM), domiciled in New York;
- Assured Guaranty Corp. (AGC), domiciled in Maryland;
- Assured Guaranty UK Limited (AGUK), organized in the U.K.;
- Assured Guaranty (Europe) SA (AGE), organized in France;
- Assured Guaranty Re Ltd. (AG Re), domiciled in Bermuda; and
- Assured Guaranty Re Overseas Ltd. (AGRO), domiciled in Bermuda.

The Company's principal asset management subsidiaries are:

- Assured Investment Management LLC, organized in Delaware;
- Assured Investment Management (London) LLP, organized in the U.K.; and
- Assured Healthcare Partners LLC, organized in Delaware.

Until April 1, 2021, Municipal Assurance Corp. (MAC) was also a principal insurance subsidiary domiciled in New York. On April 1, 2021, MAC was merged with and into AGM, with AGM as the surviving company. As a result, the Company wrote-off the $16 million carrying value of MAC's insurance licenses in the first quarter of 2021, which was recorded in other operating expenses in the Insurance segment.

AGM, AGC and, until its merger with AGM on April 1, 2021, MAC, (collectively, the U.S. Insurance Subsidiaries), jointly own an investment subsidiary, AG Asset Strategies LLC (AGAS), which invests in funds managed by AssuredIM (AssuredIM Funds).

AGL directly or indirectly owns several holding companies, two of which - Assured Guaranty US Holdings Inc. (AGUS) and Assured Guaranty Municipal Holdings Inc. (AGMH) (collectively, the U.S. Holding Companies) - have public debt outstanding.

Recent Accounting Standards Adopted

Reference Rate Reform

In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. This ASU provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions affected by reference rate reform if certain criteria are met. The amendments in this ASU only apply to contracts that reference the London Interbank Offered Rate

(LIBOR) or another reference rate that is expected to be discontinued due to reference rate reform. This ASU became effective upon issuance and may be applied prospectively for contract modifications that occur from March 12, 2020 through December 31, 2022 (the Reference Rate Transition Period).

In January 2021, the FASB issued ASU 2021-01, *Reference Rate Reform (Topic 848): Scope*, which clarifies the scope of relief related to ASU 2020-04. This ASU became effective upon issuance and may be applied on a full retrospective basis as of any date from the beginning of an interim period that includes or is subsequent to March 12, 2020, or prospectively for contract modifications made on or before December 31, 2022.

The Company adopted the optional relief afforded by these ASUs in the third quarter of 2021 on a prospective basis, and the guidance will be followed until the optional relief terminates on December 31, 2022. The Company has identified insurance contracts, derivatives and other financial instruments that are directly or indirectly influenced by LIBOR, and will be applying the accounting relief as relevant contract modifications are made during the Reference Rate Transition Period. There was no impact to the Company's consolidated financial statements upon the initial adoption of these ASUs.

Recent Accounting Standards Not Yet Adopted

Targeted Improvements to the Accounting for Long-Duration Contracts

In August 2018, the FASB issued ASU 2018-12, *Financial Services - Insurance (Topic 944): Targeted Improvements to the Accounting for Long-Duration Contracts*. The amendments in this ASU:

- improve the timeliness of recognizing changes in the liability for future policy benefits and modify the rate used to discount future cash flows,
- simplify and improve the accounting for certain market-based options or guarantees associated with deposit (or account balance) contracts,
- simplify the amortization of deferred acquisition costs (DAC), and
- improve the effectiveness of the required disclosures.

This ASU does not affect the Company's financial guaranty insurance contracts, but may affect its accounting for certain specialty (non-financial guaranty) insurance contracts. In November 2020, the FASB deferred the effective date of this ASU to January 1, 2023 with early adoption permitted. If early adoption is elected, there is transition relief allowing for the transition date to be either the beginning of the prior period presented or the beginning of the earliest period presented. If early adoption is not elected, the transition date is required to be the beginning of the earliest period presented. The Company does not currently expect this ASU to have a material effect on its consolidated financial statements.

2. Segment Information

The Company reports its results of operations in two segments: Insurance and Asset Management, separate from its Corporate division and the effects of consolidating FG VIEs and CIVs, which is consistent with the manner in which the Company's chief operating decision maker (CODM) reviews the business to assess performance and allocate resources.

The Insurance segment primarily consists of: (i) the Company's insurance subsidiaries; and (ii) AGAS. The Asset Management segment consists of AssuredIM, which provides asset management services to third-party investors as well as to the U.S. Insurance Subsidiaries and AGAS.

The Corporate division primarily consists of interest expense on the debt of the U.S. Holding Companies and any losses on extinguishment or repurchases of their debt, as well as other operating expenses attributed to the corporate activities of AGL and the U.S. Holding Companies.

The Other category primarily includes the effect of consolidating FG VIEs and CIVs, intersegment eliminations and the reclassification of reimbursable fund expenses. See Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles.

The segments differ from the consolidated financial statements in certain respects. The Insurance segment includes: (i) premiums and losses from the financial guaranty insurance policies issued by the U.S. Insurance Subsidiaries which guarantee the FG VIEs' debt; and (ii) AGAS's AGAS' share of earnings from investments in AssuredIM Funds in "equity in earnings (losses) of investees." Under GAAP, (i) FG VIEs are consolidated by the U.S. Insurance Subsidiaries and the premiums and losses associated with their financial guaranty policies associated with the FG VIEs' debt is are eliminated, whereas the reconciliation tables below present the FG VIEs and related eliminations in "Other", and (ii) CIVs are consolidated by AGUS, a U.S. holding company, whereas in the reconciliation tables below, the CIVs and related eliminations of the Insurance segment's "equity in earnings (losses) of investees" associated with AGAS's AGAS' interest in CIVs are presented in "Other." In addition, under GAAP, reimbursable fund expenses are shown as a component of asset management fees and included in total revenues, whereas in the Asset Management segment in the tables below, they are netted in segment expenses. "segment expenses".

The Company analyzes the operating performance of each segment using "segment adjusted operating income. income (loss)." Results for each segment include specifically identifiable expenses as well as intersegment expense allocations, as applicable, based on time studies and other cost allocation methodologies based on headcount or other metrics. Segment adjusted operating income is defined as net "net income (loss) attributable to AGL," adjusted for the following items:

- Elimination of realized gains (losses) on the Company's investments, except for gains and losses on securities classified as trading.

- Elimination of non-credit impairment-related 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.
- Elimination of fair value gains (losses) on the Company's committed capital securities (CCS) that are recognized in net income.
- Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and loss and loss adjustment expense (LAE) reserves that are recognized in net income.
- 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 Company does not report assets by reportable segment as the CODM does not use assets to assess performance and allocate resources.

The following table presents information for the Company's operating segments. Intersegment revenues include transactions between and among the segments, the corporate division and other.

Segment Information

	Second Quarter				Third Quarter			
	2022		2021		2022		2021	
	Insurance	Asset Management	Insurance	Asset Management	Insurance	Asset Management	Insurance	Asset Management
	(in millions)				(in millions)			
Third-party revenues	$ 137	$ 16	$ 180	$ 19	$ 145	$ 13	$ 187	$ 17
Intersegment revenues	2	12	2	2	2	8	3	2
Segment revenues	139	28	182	21	147	21	190	19
Segment expenses	41	28	47	24	(16)	24	(22)	29
Segment equity in earnings (losses) of investees	(34)	—	48	—	(11)	—	33	—
Less: Segment provision (benefit) for income taxes	9	—	31	(1)	(7)	—	31	(3)
Segment adjusted operating income (loss)	$ 55	$ —	$ 152	$ (2)	$ 159	$ (3)	$ 214	$ (7)

	Six Months				Nine Months			
	2022		2021		2022		2021	
	Insurance	Asset Management	Insurance	Asset Management	Insurance	Asset Management	Insurance	Asset Management
	(in millions)				(in millions)			
Third-party revenues	$ 413	$ 46	$ 357	$ 37	$ 558	$ 59	$ 544	$ 54
Intersegment revenues	4	21	4	4	6	29	7	6
Segment revenues	417	67	361	41	564	88	551	60
Segment expenses	163	67	153	53	147	91	131	82

Segment equity in earnings (losses) of investees	Segment equity in earnings (losses) of investees	(35)	—	67	—	Segment equity in earnings (losses) of investees	(46)	—	100	—
Less: Segment provision (benefit) for income taxes	Less: Segment provision (benefit) for income taxes	31	—	44	(3)	Less: Segment provision (benefit) for income taxes	24	—	75	(6)
Segment adjusted operating income (loss)	Segment adjusted operating income (loss)	$ 188	$ —	$ 231	$ (9)	Segment adjusted operating income (loss)	$ 347	$ (3)	$ 445	$ (16)

The tables below present a reconciliation of significant components of segment information to the comparable consolidated amounts.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Reconciliation of Segment Information to Consolidated Information
Three Months Ended June 30, 2022 September 30, 2022

					Less:							Less:		
		Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL		Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL
		(in millions)							(in millions)					
Segments:	Segments:							Segments:						
Insurance	Insurance	$ 139	$ 41	$ (34)	$ 9	$ —	$ 55	Insurance	$ 147	$ (16)	$ (11)	$ (7)	$ —	$ 159
Asset Management	Asset Management	28	28	—	—	—	—	Asset Management	21	24	—	—	—	(3)
Total segments	Total segments	167	69	(34)	9	—	55	Total segments	168	8	(11)	(7)	—	156
Corporate division	Corporate division	1	36	—	—	—	(35)	Corporate division	1	34	—	(3)	—	(30)
Other	Other	7	7	34	2	22	10	Other	13	2	(9)	1	(6)	7
Subtotal	Subtotal	175	112	—	11	22	30	Subtotal	182	44	(20)	(9)	(6)	133
Reconciling items:	Reconciling items:							Reconciling items:						
Realized gains (losses) on investments	Realized gains (losses) on investments	(28)	—	—	—	—	(28)	Realized gains (losses) on investments	(14)	—	—	—	—	(14)
Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	6	—	—	—	—	6	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	(50)	(1)	—	—	—	(49)
Fair value gains (losses) on CCS	Fair value gains (losses) on CCS	10					10	Fair value gains (losses) on CCS	1	—	—	—	—	1

		Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL		Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(73)	—	—	—	—	(73)	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(78)	—	—	—	—	(78)
Tax effect	Tax effect	—	—	—	(8)	—	8	Tax effect	—	—	—	(18)	—	18
Total consolidated	Total consolidated	$ 90	$ 112	$ —	$ 3	$ 22	$ (47)	Total consolidated	$ 41	$ 43	$ (20)	$ (27)	$ (6)	$ 11

Reconciliation of Segment Information to Consolidated Information
Three Months Ended June 30, 2021 September 30, 2021

					Less:							Less:		
		Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL		Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL
		(in millions)							(in millions)					
Segments:	Segments:							Segments:						
Insurance	Insurance	$ 182	$ 47	$ 48	$ 31	$ —	$ 152	Insurance	$ 190	$ (22)	$ 33	$ 31	$ —	$ 214
Asset Management	Asset Management	21	24	—	(1)	—	(2)	Asset Management	19	29	—	(3)	—	(7)
Total segments	Total segments	203	71	48	30	—	150	Total segments	209	7	33	28	—	207
Corporate division	Corporate division	—	36	—	(2)	—	(34)	Corporate division	1	211	1	(40)	—	(169)
Other	Other	27	4	(14)	1	4	4	Other	18	10	(11)	(2)	3	(4)
Subtotal	Subtotal	230	111	34	29	4	120	Subtotal	228	228	23	(14)	3	34
Reconciling items:	Reconciling items:							Reconciling items:						
Realized gains (losses) on investments	Realized gains (losses) on investments	4	—	—	—	—	4	Realized gains (losses) on investments	3	—	—	—	—	3
Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	(37)	(6)	—	—	—	(31)	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	11	2	—	—	—	9
Fair value gains (losses) on CCS	Fair value gains (losses) on CCS	(6)	—	—	—	—	(6)	Fair value gains (losses) on CCS	(3)	—	—	—	—	(3)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	5	—	—	—	—	5	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(27)	—	—	—	—	(27)
Tax effect	Tax effect	—	—	—	(6)	—	6	Tax effect	—	—	—	(1)	—	1

Total consolidated	$ 196	$ 105	$ 34	$ 23	$ 4	$ 98	$ 212	$ 230	$ 23	$ (15)	$ 3	$ 17

Assured Guaranty Ltd.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Reconciliation of Segment Information to Consolidated Information

Six Nine Months Ended June 30, 2022 September 30, 2022

				Less:						Less:		
	Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL	Revenues	Expenses	Equity in Earnings (Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Net Income (Loss) Attributable to AGL
	(in millions)						(in millions)					
Segments:												
Insurance	$ 417	$ 163	$ (35)	$ 31	$ —	$ 188	$ 564	$ 147	$ (46)	$ 24	$ —	$ 347
Asset Management	67	67	—	—	—	—	88	91	—	—	—	(3)
Total segments	484	230	(35)	31	—	188	652	238	(46)	24	—	344
Corporate division	2	70	—	—	—	(68)	3	104	—	(3)	—	(98)
Other	21	12	24	2	31	—	34	14	15	3	25	7
Subtotal	507	312	(11)	33	31	120	689	356	(31)	24	25	253
Reconciling items:												
Realized gains (losses) on investments	(25)	—	—	—	—	(25)	(39)	—	—	—	—	(39)
Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	(1)	(4)	—	—	—	3	(51)	(5)	—	—	—	(46)
Fair value gains (losses) on CCS	11		—	—	—	11	12		—	—	—	12
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(102)	—	—	—	—	(102)	(180)	—	—	—	—	(180)
Tax effect	—	—	—	(12)	—	12	—	—	—	(30)	—	30
Total consolidated	$ 390	$ 308	$ (11)	$ 21	$ 31	$ 19	$ 431	$ 351	$ (31)	$ (6)	$ 25	$ 30

Reconciliation of Segment Information to Consolidated Information

Six Nine Months Ended June 30, 2021 September 30, 2021

			Equity in Earnings	Less:		Net Income (Loss)			Equity in Earnings	Less:		Net Income (Loss)

		Revenues	Expenses	(Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Attributable to AGL		Revenues	Expenses	(Losses) of Investees	Provision (Benefit) for Income Taxes	Noncontrolling Interests	Attributable to AGL
		(in millions)							(in millions)					
Segments:	Segments:							Segments:						
Insurance	Insurance	$ 361	$ 153	$ 67	$ 44	$ —	$ 231	Insurance	$ 551	$ 131	$ 100	$ 75	$ —	$ 445
Asset Management	Asset Management	41	53	—	(3)	—	(9)	Asset Management	60	82	—	(6)	—	(16)
Total segments	Total segments	402	206	67	41	—	222	Total segments	611	213	100	69	—	429
Corporate division	Corporate division	—	68	—	(5)	—	(63)	Corporate division	1	279	1	(45)	—	(232)
Other	Other	48	11	(24)	1	8	4	Other	66	21	(35)	(1)	11	—
Subtotal	Subtotal	450	285	43	37	8	163	Subtotal	678	513	66	23	11	197
Reconciling items:	Reconciling items:							Reconciling items:						
Realized gains (losses) on investments	Realized gains (losses) on investments	1	—	—	—	—	1	Realized gains (losses) on investments	4	—	—	—	—	4
Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	(59)	(9)	—	—	—	(50)	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	(48)	(7)	—	—	—	(41)
Fair value gains (losses) on CCS	Fair value gains (losses) on CCS	(25)	—	—	—	—	(25)	Fair value gains (losses) on CCS	(28)	—	—	—	—	(28)
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	6	—	—	—	—	6	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(21)	—	—	—	—	(21)
Tax effect	Tax effect	—	—	—	(14)	—	14	Tax effect	—	—	—	(15)	—	15
Total consolidated	Total consolidated	$ 373	$ 276	$ 43	$ 23	$ 8	$ 109	Total consolidated	$ 585	$ 506	$ 66	$ 8	$ 11	$ 126

3. Outstanding Exposure

The Company sells credit protection primarily in financial guaranty insurance form. Until 2009, the Company also sold credit protection by issuing policies that guaranteed payment obligations under credit derivatives, primarily credit default swaps (CDS). The Company's contracts accounted for as credit derivatives are generally structured such that the circumstances giving rise to the Company's obligation to make loss payments are similar to those for its financial guaranty insurance contracts. The Company has not entered into any new CDS in order to sell credit protection in the U.S. since the beginning of 2009, when regulatory guidelines were issued that limited the terms under which such protection could be sold. The capital and margin requirements applicable under the Dodd-Frank Wall Street Reform and Consumer Protection Act also contributed to the Company not entering into such new CDS in the U.S. since 2009. The Company has, however, acquired or reinsured portfolios since 2009 that include financial guaranty contracts in credit derivative form.

The Company also writes specialty insurance and reinsurance that is consistent with its risk profile and benefits from its underwriting experience and other types of financial guarantees not subject to insurance accounting guidance.

The Company seeks to limit its exposure to losses by underwriting obligations that it views to be investment grade at inception, although on occasion it may underwrite new issuances that it views to be below-investment-grade (BIG), typically as part of its loss mitigation strategy for existing troubled exposures. The Company also seeks to acquire portfolios of insurance from financial guarantors that are no longer writing new business by acquiring such companies, providing reinsurance on a portfolio of insurance or reassuming a portfolio of reinsurance it had previously ceded; in such instances, it evaluates the risk characteristics of the target portfolio, which may include some BIG exposures, as a whole in the context of the proposed transaction. The Company diversifies its insured portfolio across sector and geography and, in the structured finance portfolio, generally requires subordination or collateral to protect it from loss. Reinsurance may be used in order to reduce net exposure to certain insured transactions.

Public finance obligations insured by the Company primarily consist of general obligation bonds supported by the taxing powers of U.S. state or municipal governmental authorities, as well as tax-supported bonds, revenue bonds and other obligations supported by covenants from state or municipal governmental authorities or other municipal obligors to impose and collect fees and charges for public services or specific infrastructure projects. The Company includes within public finance obligations those obligations backed by the cash flow from leases or other revenues from projects serving substantial public purposes, including utilities, toll roads, healthcare facilities and government office buildings. The Company also includes within public finance obligations similar obligations issued by territorial and non-U.S. sovereign and sub-sovereign issuers and governmental authorities.

Structured finance obligations insured by the Company are generally issued by special purpose entities, including VIEs, and backed by pools of assets having an ascertainable cash flow or market value or other specialized financial obligations. Some of these VIEs are consolidated as described in Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles. Unless otherwise specified, the outstanding par and debt service amounts presented in this note include outstanding exposures on these VIEs whether or not they are consolidated.

The Company also provides writes specialty insurance and reinsurance on transactions without special purpose entities but that is consistent with its risk profiles similar profile and benefits from its underwriting experience and other types of financial guarantees not subject to those of its structured finance exposures written in financial guaranty form. insurance accounting guidance.

Surveillance Categories

The Company segregates its insured portfolio into investment grade and BIG surveillance categories to facilitate the appropriate allocation of resources to monitoring and loss mitigation efforts and to aid in establishing the appropriate cycle for periodic review of each exposure. BIG exposures include all exposures with internal credit ratings below BBB-.

The Company's internal credit ratings are based on internal assessments of the likelihood of default and loss severity in the event of default. Internal credit ratings are expressed on a ratings scale similar to that used by the rating agencies and generally reflect an approach similar to that employed by the rating agencies, except that the Company's internal credit ratings focus on future performance rather than lifetime performance.

The Company classifies those portions of risks benefiting from reimbursement obligations collateralized by eligible assets held in trust in acceptable reimbursement structures as being the higher of 'AA' or their current internal rating. Unless otherwise noted, ratings disclosed herein on the Company's insured portfolio reflect its internal ratings.

The Company monitors its insured portfolio and refreshes its internal credit ratings on individual exposures in quarterly, semi-annual or annual cycles based on the Company's view of the exposure's credit quality, loss potential, volatility and sector. Ratings on exposures in sectors identified as under the most stress or with the most potential volatility are reviewed

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

every quarter, although the Company may also review a rating in response to developments impacting a credit when a ratings review is not scheduled. For assumed exposures, the Company may use the ceding company's credit ratings of transactions where it is impractical for it to assign its own rating.

Exposures identified as BIG are subjected to further review to determine the probability of a loss. See Note 4, Expected Loss to be Paid (Recovered), for additional information. Surveillance personnel then assign each BIG transaction to one of the three BIG surveillance categories described below based upon whether a future loss is expected and whether a claim has been paid. The Company uses the tax-equivalent yield of the relevant subsidiary's investment portfolio to calculate the present value of projected payments and recoveries and determine whether a future loss is expected in order to assign the appropriate BIG surveillance category to a transaction. For financial statement measurement purposes, the Company uses risk-free rates, which are determined each quarter, to calculate the expected loss.

More extensive monitoring and intervention are employed for all BIG surveillance categories, with internal credit ratings reviewed quarterly. For purposes of determining the appropriate surveillance category, the Company expects "future losses" on a transaction when the Company believes there is at least a 50% chance that, on a present value basis, it will in the future pay claims on that transaction that will not be fully reimbursed. The three BIG surveillance categories are:

- 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.

Impact of COVID-19 Pandemic

Variants of COVID-19 continue to spread throughout the world, while the production, acceptance, The emergence and distribution of vaccines and therapeutics for COVID-19 are proceeding unevenly across the globe. The emergence continuation of COVID-19 and reactions to it, including various intermittent closures and capacity and travel restrictions, have had a profound effect on the global economy and financial markets. The ultimate size, depth, course and duration of the pandemic, and the effectiveness, acceptance, and distribution of vaccines and therapeutics for it, remain unknown, and the governmental and private responses to the pandemic continue to evolve. Consequently, and due Due to the nature of the Company's business, all of COVID-19 and its global impact, directly and indirectly affected certain sectors in the direct and indirect consequences of COVID-19 on the Company are not yet fully known to the Company, and still may not emerge for some time. insured portfolio.

From shortly Shortly after the pandemic reached the U.S. through early 2021 the Company's surveillance department conducted supplemental periodic surveillance procedures to monitor the impact on its insured portfolio of COVID-19 and governmental and private responses to COVID-19, with emphasis on state and local governments and entities that were already experiencing significant budget deficits and pension funding and revenue shortfalls, as well as obligations supported by revenue streams most impacted by various intermittent closures and capacity and travel restrictions or an economic downturn. Given significant federal funding to state and local governments in 2021 and the performance it observed, the Company's surveillance department has reduced these supplemental procedures, but procedures. However, the Company is still monitoring those sectors it identified as most at risk for any developments related to COVID-19 that may impact the ability of issuers to make upcoming debt service payments. COVID-19. The Company has paid only relatively small insurance claims it believes are due at least in part to credit stress arising specifically from COVID-19, and has already received reimbursement for most of those claims.

Financial Guaranty Exposure

The Company measures its financial guaranty exposure in terms of (i) gross and net par outstanding and (ii) gross and net debt service.

The Company typically guarantees the payment of debt service when due. Since most of these payments are due in the future, the Company generally uses gross and net par outstanding as a proxy for its financial guaranty exposure. Gross par outstanding generally represents the principal amount of the insured obligation at a point in time. Net par outstanding equals gross par outstanding net of any reinsurance. The Company includes in its par outstanding calculation the impact of any

consumer price index inflator to the reporting date as well as, in the case of accreting (zero-coupon) obligations, accretion to the reporting date. Foreign denominated par outstanding is translated at the spot rate at the end of the reporting period.

The Company has, from time to time, purchased securities that it has insured, and for which it had expected losses to be paid (loss mitigation securities), in order to mitigate the economic effect of insured losses. The Company excludes amounts

attributable to loss mitigation securities from par and debt service outstanding, and instead includes such amounts reports loss mitigation securities in the investment portfolio, because the Company manages such securities as investments and not insurance exposure. As of June 30, 2022 both September 30, 2022 and December 31, 2021, the Company excluded from net par outstanding $1.2 billion and $1.3 billion, respectively, attributable to loss mitigation securities.

Gross debt service outstanding represents the sum of all estimated future debt service payments on the insured obligations, on an undiscounted basis. Net debt service outstanding equals gross debt service outstanding net of any reinsurance. Future debt service payments include the impact of any consumer price index inflator after the reporting date, as well as, in the case of accreting (zero-coupon) obligations, accretion after the reporting date.

The Company calculates its debt service outstanding as follows:

- for insured obligations that are not supported by homogeneous pools of assets (which category includes most of the Company's public finance transactions), as the total estimated contractual future debt service due through maturity, regardless of whether the obligations may be called and regardless of whether, in the case of obligations where principal payments are due when an underlying asset makes a principal payment, the Company believes the obligations will be repaid prior to contractual maturity; and

- for insured obligations that are supported by homogeneous pools of assets that are contractually permitted to prepay principal (which category includes, for example, residential mortgage-backed securities (RMBS)), as the total estimated expected future debt service due on insured obligations through their respective expected terms, which includes the Company's expectations as to whether the obligations may be called and, in the case of obligations where principal payments are due when an underlying asset makes a principal payment, when the Company expects principal payments to be made prior to contractual maturity.

The calculation of debt service requires the use of estimates, which the Company updates periodically, including estimates and assumptions for the expected remaining term of insured obligations supported by homogeneous pools of assets, updated interest rates for floating and variable rate insured obligations, behavior of consumer price indices for obligations with consumer price index inflators, foreign exchange rates and other assumptions based on the characteristics of each insured obligation. Debt service is a measure of the estimated maximum potential exposure to insured obligations before considering the Company's various legal rights to the underlying collateral and other remedies available to it under its financial guaranty contract.

Actual debt service may differ from estimated debt service due to refundings, terminations, negotiated restructurings, prepayments, changes in interest rates on variable rate insured obligations, consumer price index behavior differing from that projected, changes in foreign exchange rates on non-U.S. dollar denominated insured obligations and other factors.

Financial Guaranty Portfolio
Debt Service and Par Outstanding

		As of June 30, 2022		As of December 31, 2021			As of September 30, 2022		As of December 31, 2021	
		Gross	Net	Gross	Net		Gross	Net	Gross	Net
		(in millions)					(in millions)			
Debt Service	**Debt Service**					**Debt Service**				
Public finance	Public finance	$ 353,431	$ 353,251	$ 357,694	$ 357,314	Public finance	$ 347,776	$ 347,608	$ 357,694	$ 357,314
Structured finance	Structured finance	9,606	9,581	10,076	10,046	Structured finance	9,118	9,093	10,076	10,046
Total financial guaranty	Total financial guaranty	$ 363,037	$ 362,832	$ 367,770	$ 367,360	Total financial guaranty	$ 356,894	$ 356,701	$ 367,770	$ 367,360
Par Outstanding	**Par Outstanding**					**Par Outstanding**				
Public finance	Public finance	$ 224,252	$ 224,095	$ 227,507	$ 227,164	Public finance	$ 219,052	$ 218,905	$ 227,507	$ 227,164
Structured finance	Structured finance	8,742	8,717	9,258	9,228	Structured finance	8,191	8,166	9,258	9,228
Total financial guaranty	Total financial guaranty	$ 232,994	$ 232,812	$ 236,765	$ 236,392	Total financial guaranty	$ 227,243	$ 227,071	$ 236,765	$ 236,392

In addition to amounts shown in the table above, the Company had outstanding commitments to provide guaranties of $1,301 million $893 million of public finance direct gross par and $763 million $741 million of structured finance direct gross par as of June 30, 2022 September 30, 2022. These commitments are contingent on the satisfaction of all conditions set forth in them and may expire unused or be canceled

at the counterparty's request. Therefore, the total commitment amount does not necessarily reflect actual future guaranteed amounts.

Financial Guaranty Portfolio by Internal Rating
As of June 30, 2022 September 30, 2022

		Public Finance U.S.		Public Finance Non-U.S.		Structured Finance U.S		Structured Finance Non-U.S		Total	
Rating Category	**Rating Category**	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**
		(dollars in millions)									
AAA	AAA	$ 260	0.1 %	$ 2,016	4.4 %	$ 824	10.4 %	$ 457	58.5 %	$ 3,557	1.5 %
AA	AA	17,042	9.5	3,671	8.3	4,554	57.4	12	1.5	25,279	10.9
A	A	96,931	54.0	9,633	21.7	813	10.2	183	23.4	107,560	46.2
BBB	BBB	61,845	34.4	28,606	64.4	449	5.7	130	16.6	91,030	39.1
BIG	BIG	3,570	2.0	521	1.2	1,295	16.3	—	—	5,386	2.3
Total net par outstanding	Total net par outstanding	$ 179,648	100.0 %	$ 44,447	100.0 %	$ 7,935	100.0 %	$ 782	100.0 %	$ 232,812	100.0 %

	Public Finance U.S.		Public Finance Non-U.S.		Structured F U.S
Rating Category	**Net Par Outstanding**	**%**	**Net Par Outstanding**	**%**	**Net Par Outstanding**
					(dollars in m
AAA	$ 259	0.1 %	$ 1,879	4.6 %	$ 794
AA	16,451	9.3	3,454	8.4	4,522
A	96,052	54.0	8,491	20.7	510
BBB	60,893	34.2	26,777	65.2	487
BIG	4,187	2.4	462	1.1	1,136
Total net par outstanding	$ 177,842	100.0 %	$ 41,063	100.0 %	$ 7,449

Financial Guaranty Portfolio by Internal Rating

As of December 31, 2021

Rating Category	Public Finance U.S. Net Par Outstanding	Public Finance U.S. %	Public Finance Non-U.S. Net Par Outstanding	Public Finance Non-U.S. %	Structured Finance U.S Net Par Outstanding	Structured Finance U.S %	Structured Finance Non-U.S Net Par Outstanding	Structured Finance Non-U.S %	Total Net Par Outstanding	Total %
	(dollars in millions)									
AAA	$ 272	0.2 %	$ 2,217	4.5 %	$ 806	9.6 %	$ 493	57.7 %	$ 3,788	1.6 %
AA	16,372	9.2	4,205	8.4	4,760	56.8	22	2.6	25,359	10.7
A	94,459	53.3	10,659	21.3	813	9.7	160	18.7	106,091	44.9
BBB	60,744	34.3	32,264	64.6	611	7.3	179	21.0	93,798	39.7
BIG	5,372	3.0	600	1.2	1,384	16.6	—	—	7,356	3.1
Total net par outstanding	$ 177,219	100.0 %	$ 49,945	100.0 %	$ 8,374	100.0 %	$ 854	100.0 %	$ 236,392	100.0 %

Financial Guaranty Portfolio
Components of BIG Net Par Outstanding
As of September 30, 2022

	BIG Net Par Outstanding: BIG 1	BIG 2	BIG 3	Total BIG	Net Par Outstanding
			(in millions)		
Public finance:					
U.S. public finance	$ 2,029	$ 124	$ 2,034	$ 4,187	$ 177,842
Non-U.S. public finance	425	—	37	462	41,063
Public finance	2,454	124	2,071	4,649	218,905
Structured finance:					
U.S. RMBS	17	39	973	1,029	2,006
Other structured finance	—	35	72	107	6,160
Structured finance	17	74	1,045	1,136	8,166
Total	$ 2,471	$ 198	$ 3,116	$ 5,785	$ 227,071

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Financial Guaranty Portfolio
Components of BIG Net Par Outstanding
As of June 30, 2022

	BIG Net Par Outstanding: BIG 1	BIG 2	BIG 3	Total BIG	Net Par Outstanding
			(in millions)		
Public finance:					
U.S. public finance	$ 1,294	$ 130	$ 2,146	$ 3,570	$ 179,648
Non-U.S. public finance	482	—	39	521	44,447
Public finance	1,776	130	2,185	4,091	224,095
Structured finance:					
U.S. RMBS	45	77	1,063	1,185	2,171
Other structured finance	—	37	73	110	6,546
Structured finance	45	114	1,136	1,295	8,717
Total	$ 1,821	$ 244	$ 3,321	$ 5,386	$ 232,812

Financial Guaranty Portfolio
Components of BIG Net Par Outstanding

As of December 31, 2021

	BIG Net Par Outstanding				Net Par
	BIG 1	BIG 2	BIG 3	Total BIG	Outstanding
			(in millions)		
Public finance:					
U.S. public finance	$ 1,765	$ 116	$ 3,491	$ 5,372	$ 177,219
Non-U.S. public finance	556	—	44	600	49,945
Public finance	2,321	116	3,535	5,972	227,164
Structured finance:					
U.S. RMBS	121	24	1,120	1,265	2,391
Other structured finance	1	41	77	119	6,837
Structured finance	122	65	1,197	1,384	9,228
Total	$ 2,443	$ 181	$ 4,732	$ 7,356	$ 236,392

Financial Guaranty Portfolio
BIG Net Par Outstanding and Number of Risks
As of June 30, 2022 September 30, 2022

		Net Par Outstanding			Number of Risks (2)				Net Par Outstanding			Number of Risks (2)		
Description	Description	Financial Guaranty Insurance (1)	Credit Derivatives	Total	Financial Guaranty Insurance (1)	Credit Derivatives	Total	Description	Financial Guaranty Insurance (1)	Credit Derivatives	Total	Financial Guaranty Insurance (1)	Credit Derivatives	Total
				(dollars in millions)							(dollars in millions)			
BIG:	BIG:							BIG:						
Category 1	Category 1	$ 1,814	$ 7	$ 1,821	107	1	108	Category 1	$ 2,465	$ 6	$ 2,471	110	1	111
Category 2	Category 2	234	10	244	20	2	22	Category 2	187	11	198	17	2	19
Category 3	Category 3	3,279	42	3,321	123	8	131	Category 3	3,075	41	3,116	117	8	125
Total BIG	Total BIG	$ 5,327	$ 59	$ 5,386	250	11	261	Total BIG	$ 5,727	$ 58	$ 5,785	244	11	255

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Financial Guaranty Portfolio
BIG Net Par Outstanding and Number of Risks
As of December 31, 2021

	Net Par Outstanding			Number of Risks (2)		
Description	Financial Guaranty Insurance (1)	Credit Derivatives	Total	Financial Guaranty Insurance (1)	Credit Derivatives	Total
			(dollars in millions)			
BIG:						
Category 1	$ 2,429	$ 14	$ 2,443	117	2	119
Category 2	177	4	181	16	1	17
Category 3	4,687	45	4,732	129	8	137
Total BIG	$ 7,293	$ 63	$ 7,356	262	11	273

(1) Includes FG VIEs.

(2) A risk represents the aggregate of the financial guaranty policies that share the same revenue source for purposes of making debt service payments.

Exposure to Puerto Rico

The Company had insured exposure to general obligation bonds of the Commonwealth of Puerto Rico (Puerto Rico or the Commonwealth) and various obligations of its related authorities and public corporations aggregating $2,227 million $2.1 billion net par outstanding as of June 30, 2022 September 30, 2022, a decrease of $1,345 million $1.5 billion from the $3,572 million $3.6 billion net par outstanding as of December 31, 2021. All of the Company's insured exposure to Puerto Rico is rated BIG. The Company has paid claims as a result of payment defaults on all of its outstanding Puerto Rico exposures except the Municipal Finance Agency (MFA), the Puerto Rico Aqueduct and Sewer Authority (PRASA), and the University of Puerto Rico (U of PR).

On June 30, 2016, the Puerto Rico Oversight, Management, and Economic Stability Act (PROMESA) was signed into law. PROMESA established a seven-member Financial Oversight and Management Board (the FOMB) with authority to require that balanced budgets and fiscal plans be adopted and implemented by Puerto Rico. Title III of PROMESA provides for a process analogous to a voluntary bankruptcy process under Chapter 9 of the United States Bankruptcy Code (Bankruptcy Code).

After over five years of negotiations, on March 15, 2022, a substantial portion of the Company's Puerto Rico exposure was resolved in accordance with three orders entered by the United States District Court of the District of Puerto Rico (Federal District Court of Puerto Rico):

- On January 18, 2022, the Federal District Court of Puerto Rico, acting under Title III of PROMESA, entered an order and judgment confirming the Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, the Employees Retirement System of the Government of the Commonwealth of Puerto Rico, and the Puerto Rico Public Buildings Authority (GO/PBA Plan). The GO/PBA Plan restructured approximately $35 billion of debt (including the Puerto Rico General Obligation (GO) and Public Buildings Authority (PBA) bonds insured by the Company) and other claims against the government of Puerto Rico and certain entities as well as $50 billion in pension obligations (none of the pension obligations are insured by the Company), all and the Company believes its terms are consistent with the terms of the settlement embodied in a revised plan support agreement (PSA) for GO and PBA entered into by AGM and AGC on February 22, 2021, with certain other stakeholders, the Commonwealth, and the FOMB (GO/PBA PSA).

- On January 20, 2022, the Federal District Court of Puerto Rico, acting under Title VI of PROMESA, entered an order under Title VI of PROMESA (PRCCDA Modification) modifying the debt of the Puerto Rico Convention Center District Authority (PRCCDA).

- On January 20, 2022, the Federal District Court of Puerto Rico, acting under Title VI of PROMESA, entered another order under Title VI of PROMESA (PRIFA Modification) modifying certain debt of the Puerto Rico Infrastructure Financing Authority (PRIFA).

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

As a result of the consummation on March 15, 2022, of each of the GO/PBA Plan, PRCCDA Modification and PRIFA Modification (together, the March Puerto Rico Resolutions), including claim payments made by the Company under the March Puerto Rico Resolutions, the Company's obligations under its insurance policies covering debt of the PRCCDA and PRIFA were extinguished, and its insurance exposure to Puerto Rico GO and PBA was greatly reduced.

On October 12, 2022, the Federal District Court of Puerto Rico, acting under Title III of PROMESA, entered an order and judgment confirming the amended plan of adjustment for the Puerto Rico Highways and Transportation Authority (PRHTA) filed by the FOMB with the Federal District Court of Puerto Rico on September 6, 2022 (HTA Plan). The HTA Plan restructures approximately $6.4 billion of debt (including the PRHTA bonds insured by the Company), and the Company believes its terms are consistent with the terms of the settlement embodied in the PRHTA PSA entered into on May 5, 2021, by AGM and AGC and certain other stakeholders, the Commonwealth, and the FOMB (the HTA PSA). The FOMB will set the effective date of the HTA Plan (HTA Effective Date) and, as of November 7, 2022, the expected HTA Effective Date had not yet been announced.

The Company is continuing its efforts to resolve two other the one remaining Puerto Rico insured exposures exposure that are is in payment default, the Puerto Rico Highways and Transportation Authority (PRHTA) and the Puerto Rico Electric Power Authority (PREPA). As noted below, a confirmation hearing on the plan of adjustment for PRHTA has been set for August 17-18, 2022, while the most recent restructuring support agreement for PREPA was terminated Economic, political and the parties are currently in mediation. Both economic and political legal developments, including those related to the COVID-19 pandemic and inflation, increases in the cost of petroleum products and developments related to the COVID-19 pandemic, may impact any resolution of the Company's PRHTA and PREPA insured exposures exposure and the value of the consideration the Company has received in connection with the March Puerto Rico Resolutions or has received or may receive in the future in connection with the HTA PSA or HTA Plan or

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

any future resolutions of the Company's PRHTA and/or PREPA insured exposures. The impact of developments relating to Puerto Rico during any quarter or year could be material to the Company's results of operations and shareholders' equity.

Puerto Rico GO and PBA

As of June 30, 2022 September 30, 2022, the Company had remaining $37 million $25 million of insured net par outstanding of GO bonds and $5 million $4 million of insured net par outstanding of PBA bonds, consisting of direct exposure and assumed reinsurance exposure. The Company's $10 million of second-to-pay exposure as of March 31, 2022 was extinguished during second quarter 2022.

	Direct	Assumed	Total
		(in millions)	
GO	$ 36	$ 1	$ 37
PBA	5	—	5
Total GO and PBA	$ 41	$ 1	$ 42

bonds.

Under the GO/PBA Plan and in connection with its direct exposure the Company received (including amounts received in connection with the second election described further below, but excluding amounts received in connection with second-to-pay exposures):

- $530 million in cash, net of ceded reinsurance,
- $605 million of new recovery bonds (see Note 7, Investments and Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles for additional information), which represents the face value of current interest bonds and the maturity value of capital appreciation bonds, net of ceded reinsurance, and
- $258 million of contingent value instruments (CVIs) (see Note 7, Investments and Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles for additional information), which represents the original notional value, net of ceded reinsurance.

The CVIs are intended to provide creditors with additional recoveries tied to the outperformance of the Puerto Rico 5.5% Sales and Use Tax (SUT) receipts against May 2020 certified fiscal plan projections, subject to annual and lifetime caps. The notional amount of a CVI represents the sum of the maximum distributions the holder could receive under the CVI, subject to the cumulative and annual caps, if the SUT sufficiently exceeds 2020 certified fiscal plan projections, without any discount for time.

The Company has sold a portion most of the new recovery bonds and CVIs it received on March 15, 2022, and may sell in the future any new recovery bonds or CVIs it continues to hold. The fair value of any new recovery bonds or CVIs the Company retains will fluctuate. Any gains or losses on sales of new recovery bonds and CVIs relative to their values on March 15, 2022, were and will be reported as realized gains and losses on investments and fair value gains (losses) on trading securities, respectively, rather than loss and LAE.

In August 2021, the Company exercised certain elections under the GO/PBA Plan that impact the timing of payments under its insurance policies. In accordance with the terms of the GO/PBA Plan, the payment of the principal of all GO bonds and PBA bonds insured by the Company was accelerated against the Commonwealth and became due and payable as of March 15, 2022. With respect to certain Insured holders of noncallable insured securities bonds covered by the GO/PBA Plan insured bondholders (representing $102 million of net par outstanding as of December 31, 2021) were permitted to elect either: (i) to receive on March 15, 2022, 100% of the then outstanding principal amount of insured bonds plus accrued

interest; or (ii) to receive custody receipts that represent an interest in the legacy insurance policy plus cash, new recovery bonds and CVIs (in aggregate, Plan Consideration) that constitute distributions under the GO/PBA Plan. For those who made the second election, distributions of Plan Consideration are immediately passed through to insured bondholders under the custody receipts to the extent of any cash or proceeds of new securities held in the custodial trust and are applied to make payments and/or prepayments of amounts due under the legacy insured bonds. The Company's insurance policy continues to guarantee principal and interest coming due on the legacy insured bonds in accordance with the terms of such insurance policy on the originally scheduled legacy bond interest and principal payment dates to the extent that distributions of Plan Consideration are insufficient to pay such amounts after giving effect to the distributions described in the immediately preceding sentence. In the case of insured bondholders who elected to receive custody receipts, the Company retains the right to satisfy its obligations under the insurance policy with respect to the related legacy insured bonds at any time thereafter, with 30 days' notice, by paying 100% of the then outstanding principal amount of insured bonds plus accrued interest. As of June 30, 2022 September 30, 2022, the net insured par outstanding under the legacy GO and PBA insurance policies was $42 million $29 million, and constituted all of the Company's remaining net par exposure to the GO and PBA bonds it had insured.

PRCCDA and PRIFA

As of June 30, 2022 September 30, 2022, the Company had no insured net par outstanding of PRCCDA or PRIFA obligations remaining. Under the PRCCDA Modification and the PRIFA Modification, on March 15, 2022, the Company received an aggregate of $47 million in cash (net of ceded reinsurance) and $98 million in notional amount of CVIs (net of ceded reinsurance).

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

PRHTA

As of June 30, 2022 September 30, 2022, the Company had $1.3 billion $1.2 billion of insured net par outstanding that is covered by a PSA with respect to PRHTA entered into on May 5, 2021, by AGM and AGC and certain other stakeholders, the Commonwealth, and the FOMB (the HTA PSA): $799 million PSA: $771 million insured net par outstanding of PRHTA (transportation revenue) bonds and $457 million $418 million insured net par outstanding of PRHTA (highway revenue) bonds. The transportation revenue bonds are secured by a subordinate gross lien on gasoline and gas oil and diesel oil taxes, motor vehicle license fees and certain tolls, plus a first lien on taxes on crude oil, unfinished oil and derivative products. The highway revenue bonds are secured by a gross lien on gasoline and gas oil and diesel oil taxes, motor vehicle license fees and certain tolls.

The HTA PSA provides for payments to AGM and AGC consisting of: (i) cash; (ii) new bonds expected to be backed by toll revenue (Toll Bonds); and (iii) a CVI. The HTA PSA contemplates a Title III proceeding requiring court approval of a disclosure statement, solicitation and voting process, and a plan confirmation hearing. On May 2, 2022 September 6, 2022, the FOMB took the first step in this process by filing filed an amended HTA Plan with the Title III Federal District Court a plan of adjustment for PRHTA (HTA Plan) Puerto Rico, which it the Company believes to be consistent with the HTA PSA. Voting PSA, and on October 12, 2022, the HTA Plan was completed on July 27, 2022, and court approved the Title III Court has set August 17-18, 2022, for the confirmation hearing on the amended HTA Plan. The HTA Plan, similar to the GO/PBA Plan, provides an option for certain bondholders holders of noncallable bonds insured by the Company (representing $788 million of net par outstanding as of September 30, 2022) to elect to receive custody receipts that represent an interest in the legacy insurance policy plus Toll Bonds. Bonds, and insured bondholders representing $451 million net par outstanding as of September 30, 2022 have elected this option. The FOMB will set the effective date of the HTA Plan (HTA Effective Date) and, as of November 7, 2022, the expected HTA Effective Date had not yet been announced.

On July 8, 2022, During third quarter 2022, the Company received, from the Commonwealth, pursuant to the GO/PBA Plan and the terms of the HTA PSA, $147 million of cash and $668 million $672 million original notional of CVI. Assuming The Company has sold a portion of those CVIs. On the HTA Plan essentially as currently constituted is confirmed and implemented, Effective Date, the Company also expects to receive additional recoveries.

The HTA Plan is still subject to confirmation by recoveries in the Title III Court, so there can be no assurance that it will be implemented in its current form or at all. of cash and Toll Bonds.

PREPA

As of June 30, 2022 September 30, 2022, the Company had $748 million $720 million insured net par outstanding of PREPA obligations. The PREPA obligations are secured by a lien on the revenues of the electric system. On May 3, 2019, AGM and AGC entered into a restructuring support agreement with respect to PREPA with PREPA and other stakeholders, including a group of uninsured PREPA bondholders, the Commonwealth and the FOMB (PREPA RSA). This agreement was terminated by Puerto Rico on March 8, 2022.

On April 8, 2022, Judge Laura Taylor Swain of the Federal District Court of Puerto Rico issued an order appointing as members of a PREPA mediation team U.S. Bankruptcy Judges Shelley Chapman (lead mediator), Robert Drain and Brendan Shannon. Judge Swain also entered a separate order establishing the terms and conditions of mediation, including that the mediation would terminate on June 1, 2022. Judge Swain has since extended the term of such mediation several times, most

recently on July 29, 2022 September 8, 2022 extending the term to August 15, 2022 September 16, 2022. After mediation terminated, Judge Swain issued an order on September 29, 2022 that (i) directs the FOMB to file a plan of adjustment and disclosure statement by December 1, 2022, (ii) sets a schedule for litigating bondholders' lien status, and (iii) directs a new round of mediation that would terminate on December 31, 2022, but granting discretion to the mediation team to further extend the mediation deadline to September 9, 2022 January 31, 2023 based on its assessment of the progress of the mediation process.

The last revised fiscal plan for PREPA was certified by the FOMB on May 27, 2021.

Other Puerto Rico Exposures

All debt service payments for the Company's remaining Puerto Rico exposures have been made in full by the obligors as of the date of this filing. Such exposures comprise:

MFA. As of June 30, 2022 September 30, 2022, the Company had $179 million $131 million insured net par outstanding of bonds issued by MFA secured by a lien on local property tax revenues.

U of PR. As of June 30, 2022 September 30, 2022, the Company had $1 million insured net par outstanding of U of PR bonds, which are general obligations of the university and are secured by a subordinate lien on the proceeds, profits and other income of the university, subject to a senior pledge and lien for the benefit of outstanding university system revenue bonds.

PRASA. As of June 30, 2022 September 30, 2022, the Company had $1 million insured net par outstanding of PRASA obligations. The Company's insured PRASA obligations are secured by a lien on the gross revenues of the water and sewer system.

Puerto Rico Litigation

Currently, there are numerous legal actions relating to the default by the Commonwealth and certain of its instrumentalities on debt service payments, and related matters, and the Company is a party to a number of them. The Company has taken legal action, and may take additional legal action in the future, to enforce its rights with respect to Puerto Rico obligations which the Company insures. In addition, the Commonwealth, the FOMB and others have taken legal action naming the Company as party.

A number of legal actions involving the Company and relating to PRCCDA and PRIFA, as well as claims related to the clawback of certain excise taxes and revenues pledged to secure bonds issued by PRHTA, were resolved on March 15, 2022 in connection with the consummation of the March Puerto Rico Resolutions. All other proceedings remain stayed pending the Court's determination on plans of adjustment or other proceedings related to PRHTA and PREPA.

Remaining Stayed Proceedings. The following Puerto Rico proceedings in which the Company is involved remain stayed:

- On June 26, 2017, AGM and AGC filed a complaint in the Federal District Court of Puerto Rico to compel the FOMB to certify the PREPA RSA for implementation under Title VI of PROMESA. On July 21, 2017, considering its PREPA Title III petition on July 2, 2017, the FOMB filed a notice of stay under PROMESA.

- On July 18, 2017, AGM and AGC filed a motion for relief in the Federal District Court of Puerto Rico from the automatic stay filed in the PREPA Title III Bankruptcy proceeding. The court denied the motion on September 14, 2017, but on August 8, 2018, the United States Court of Appeals for the First Circuit vacated and remanded the court's decision. On October 3, 2018, AGM and AGC, together with other bond insurers, filed a motion with the court to lift the automatic stay to commence an action against PREPA for the appointment of a receiver.

- On May 20, 2019, the FOMB and the Official Committee of Unsecured Creditors filed an adversary complaint in the Federal District Court of Puerto Rico challenging the validity, enforceability, and extent of security interests in PRHTA revenues. On July 24, 2019, Judge Swain announced a court-imposed stay of a series of adversary proceedings and contested matters, which include this proceeding, through November 30, 2019, with a mandatory mediation element; Judge Swain extended the stay through December 31, 2019, and subsequently extended the stay again pending further order of the court on the understanding that these issues will be resolved in other proceedings.

- On September 30, 2019, certain parties that either had advanced funds to PREPA for the purchase of fuel line lenders or had succeeded to such claims (Fuel Line Lenders) filed an amended adversary complaint against the FOMB and other parties, including AGC and AGM, seeking subordination of PREPA bondholder claims to fuel line lender Fuel Line Lenders' claims. The FOMB On November 12, 2019, AGC and AGM filed a status report on May 15, 2020 regarding PREPA's financial condition and its request for approval of motion to dismiss the PREPA RSA settlement, in which it requested that it be permitted to file an updated report by July 31, 2020, that all proceedings related to the approval of the PREPA RSA settlement continue to be adjourned, and that the hearing in

this adversary proceeding scheduled for June 3, 2020 be adjourned. On May 22, 2020, the Title III Court issued an order to that effect.

- On October 30, 2019, the retirement system for PREPA employees (SREAEE) filed an amended adversary complaint in the Federal District Court of Puerto Rico against the FOMB and other parties, seeking subordination of PREPA bondholder claims to SREAEE claims. complaint. The FOMB filed a status report on May 15, 2020 regarding PREPA's financial condition and its request for approval of the PREPA RSA settlement, in which it requested that it be permitted to file an updated report by July 31, 2020, that all proceedings related to the approval of the PREPA RSA settlement continue to be adjourned, and that the hearing in this adversary proceeding scheduled for June 3, 2020 be adjourned. On May 22, 2020, the Title III Federal District Court of Puerto Rico issued an order to that effect. On September 29, 2022, the court entered an order terminating the motion to dismiss without prejudice, and indicating that the issues in the adversary proceeding will only be addressed, if necessary, after issues related to security and recourse of the PREPA bonds have been resolved or, if necessary, in connection with the confirmation of a plan of adjustment for PREPA.

- On October 30, 2019, the retirement system for PREPA employees (SREAEE) filed an amended adversary complaint in the Federal District Court of Puerto Rico against the FOMB and other parties, seeking subordination of PREPA bondholder claims to SREAEE claims. On November 7, 2019, the court granted a motion to intervene by AGC and AGM. On November 13, 2019, AGC and AGM filed a motion to dismiss the amended adversary complaint. The FOMB filed a status report on May 15, 2020 regarding PREPA's financial condition and its request for approval of the PREPA RSA settlement, in which it requested that it be permitted to file an updated report by July 31, 2020, that all proceedings related to the approval of the PREPA RSA settlement continue to be adjourned, and that the hearing in this adversary proceeding scheduled for June 3, 2020 be adjourned. On May 22, 2020, the Federal District Court of Puerto Rico issued an order to that effect. On September 29, 2022, the court entered an order terminating the motion to dismiss without prejudice, and indicating that the issues in the adversary proceeding will only be addressed, if necessary, after issues related to security and recourse of the PREPA bonds have been resolved or, if necessary, in connection with the confirmation of a plan of adjustment for PREPA.

- On January 16, 2020, the FOMB, on behalf of the PRHTA, brought an adversary proceeding in the Federal District Court of Puerto Rico against AGM and AGC and other insurers of PRHTA bonds, objecting to the bond insurers claims in the PRHTA Title III proceedings and seeking to disallow such claims. Considering the PSA, on May 25, 2021, Judge Swain stayed the participation of AGM and AGC.

- On July 1, 2019, the FOMB initiated an adversary proceeding against U.S. Bank National Association, as trustee for PREPA's bonds, objecting to and challenging the validity, enforceability, and extent of prepetition security interests securing those bonds and seeking other relief. On September 30, 2022, the FOMB filed an amended complaint against the trustee (i) objecting to and challenging the validity, enforceability, and extent of prepetition security interests securing PREPA's bonds and (ii) arguing that PREPA bondholders' recourse was limited to certain deposit accounts held by the trustee. On October 7, 2022, the court approved a stipulation permitting AGM and AGC to intervene as defendants.

Puerto Rico Par and Debt Service Schedules

All Puerto Rico exposures are internally rated BIG. The following tables show the Company's insured exposure to general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations.

Puerto Rico
Gross Par and Gross Debt Service Outstanding

	Gross Par Outstanding		Gross Debt Service Outstanding	
	As of		As of	
	June 30, 2022	December 31, 2021	June 30, 2022	December 31, 2021
	(in millions)			
Exposure to Puerto Rico	$ 2,246	$ 3,629	$ 3,156	$ 5,322

	Gross Par Outstanding		Gross Debt Service Outstanding	
	As of		As of	
	September 30, 2022	December 31, 2021	September 30, 2022	December 31, 2021
	(in millions)			
Exposure to Puerto Rico	$ 2,088	$ 3,629	$ 2,944	$ 5,322

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Puerto Rico
Net Par Outstanding

		As of			As of	
		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
		(in millions)			(in millions)	
Puerto Rico Exposures Subject to a Plan or Support Agreement	**Puerto Rico Exposures Subject to a Plan or Support Agreement**			**Puerto Rico Exposures Subject to a Plan or Support Agreement**		
Commonwealth of Puerto Rico - GO (1)	Commonwealth of Puerto Rico - GO (1)	$ 37	$ 1,097	Commonwealth of Puerto Rico - GO (1)	$ 25	$ 1,097
PBA (1)	PBA (1)	5	122	PBA (1)	4	122
Total GO/PBA Plan	**Total GO/PBA Plan**	42	1,219	**Total GO/PBA Plan**	29	1,219
PRHTA (Transportation revenue)	PRHTA (Transportation revenue)	799	799	PRHTA (Transportation revenue)	771	799
PRHTA (Highway revenue)	PRHTA (Highway revenue)	457	457	PRHTA (Highway revenue)	418	457
PRCCDA (2)	PRCCDA (2)	—	152	PRCCDA (2)	—	152
Total HTA/CCDA PSA		1,256	1,408			
Total HTA PSA				**Total HTA PSA**	1,189	1,408
PRIFA (2)	PRIFA (2)	—	16	PRIFA (2)	—	16
Total Subject to a Plan or Support Agreement	**Total Subject to a Plan or Support Agreement**	**1,298**	**2,643**	**Total Subject to a Plan or Support Agreement**	**1,218**	**2,643**
Other Puerto Rico Exposures	**Other Puerto Rico Exposures**			**Other Puerto Rico Exposures**		
PREPA	PREPA	748	748	PREPA	720	748
MFA (3)	MFA (3)	179	179	MFA (3)	131	179

PRASA and U of PR (3)	PRASA and U of PR (3)	2	2	PRASA and U of PR (3)	2	2
Total Other Puerto Rico Exposures	**Total Other Puerto Rico Exposures**	**929**	**929**	**Total Other Puerto Rico Exposures**	**853**	**929**
Total net exposure to Puerto Rico	**Total net exposure to Puerto Rico**	**$ 2,227**	**$ 3,572**	**Total net exposure to Puerto Rico**	**$ 2,071**	**$ 3,572**

(1) On March 15, 2022, the Modified Eighth Amended Title III Joint Plan of Adjustment, confirmed on January 18, 2022, was consummated, pursuant to which the Company, among other things, fully paid claims on all of its directly insured Puerto Rico GO bonds, other than certain GO bonds whose holders made certain elections. On the same date and pursuant to the same Plan of Adjustment, the Company fully paid claims on all of its directly insured PBA bonds, other than certain PBA bonds whose holders made certain elections.

(2) On March 15, 2022, the Company fully paid claims on all of its insured PRCCDA and PRIFA bonds, eliminating its exposure to insured PRCCDA and PRIFA bonds, pursuant to Title VI orders entered on January 20, 2022.

(3) All debt service on these insured exposures have been paid to date without any insurance claim being made on the Company.

The following table shows the scheduled amortization of the insured general obligation bonds of Puerto Rico and various obligations of its related authorities and public corporations. The Company guarantees payments of interest and principal when those amounts are scheduled to be paid and cannot be required to pay on an accelerated basis, although in certain circumstances it may elect to do so. In the event that obligors default on their obligations, the Company would only be required to pay the shortfall between the debt service due in any given period and the amount paid by the obligors.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Amortization Schedule of Puerto Rico
Net Par Outstanding and Net Debt Service Outstanding
As of June 30, 2022 September 30, 2022

		Scheduled Net Par Amortization	Scheduled Net Debt Service Amortization		Scheduled Net Par Amortization	Scheduled Net Debt Service Amortization
		(in millions)			(in millions)	
2022 (July 1 - September 30)		$ 149	$ 202			
2022 (October 1 - December 31)	2022 (October 1 - December 31)	—	3	2022 (October 1 - December 31)	$ —	$ 3
Subtotal 2022		149	205			
2023		186	289			
2023 (January 1 - March 31)				2023 (January 1 - March 31)	—	49
2023 (April 1 - June 30)				2023 (April 1 - June 30)	—	2
2023 (July 1 - September 30)				2023 (July 1 - September 30)	181	230
2023 (October 1 - December 31)				2023 (October 1 - December 31)	—	3
Subtotal 2023				Subtotal 2023	181	284
2024	2024	149	243	2024	149	243
2025	2025	151	237	2025	151	237
2026	2026	170	249	2026	170	249
2027-2031	2027-2031	639	936	2027-2031	637	934
2032-2036	2032-2036	577	732	2032-2036	577	732
2037-2041	2037-2041	201	237	2037-2041	201	237
2042	2042	5	5	2042	5	5
Total	Total	$ 2,227	$ 3,133	Total	$ 2,071	$ 2,924

Exposure to the U.S. Virgin Islands

As of June 30, 2022 September 30, 2022, the Company had $187 million $183 million insured net par outstanding to the U.S. Virgin Islands and its related authorities (USVI), of which it rated $51 million $47 million BIG (down from $469 million BIG as of December 31, 2021 and $185 million BIG as of March 31, 2022). In the first half of nine months 2022,

$256 million of insured net par outstanding of USVI bonds were legally defeased and $134 million of insured net par outstanding of USVI bonds were upgraded to investment grade. The remaining $51 million $47 million of BIG USVI net par outstanding consisted of bonds of the Virgin Islands Water and Power Authority secured by a net revenue pledge of the electric system. The USVI continues to benefit from the federal response to the 2017 hurricanes and COVID-19, has seen improvement in the tourism sector, recently took actions to address its pension shortfalls, and has made its debt service payments to date.

Specialty Insurance and Reinsurance Exposure

The Company also provides specialty insurance and reinsurance on transactions with risk profiles similar to those of its structured finance exposures written in financial guaranty form. As of both June 30, 2022 September 30, 2022 and December 31, 2021, gross exposure of $144 million and net exposure of $84 million of aircraft residual value insurance was BIG. All other exposures in the table below are investment-grade quality.

Specialty Insurance and Reinsurance Exposure

		As of June 30, 2022		As of December 31, 2021	
		Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
		(in millions)			
Life insurance transactions (1)	Life insurance transactions (1)	$ 1,270	$ 919	$ 1,250	$ 871
Aircraft residual value insurance policies	Aircraft residual value insurance policies	355	200	355	200
Total	Total	$ 1,625	$ 1,119	$ 1,605	$ 1,071

	As of September 30, 2022		As of December 31, 2021	
	Gross Exposure	Net Exposure	Gross Exposure	Net Exposure
	(in millions)			
Life insurance transactions (1)	$ 1,301	$ 969	$ 1,250	$ 871
Aircraft residual value insurance policies	355	200	355	200
Total	$ 1,656	$ 1,169	$ 1,605	$ 1,071

(1) The life insurance transactions' net exposure is projected to reach $1.1 billion by June 30, 2025 June 30, 2024.

Guarantee

On March 31, 2022, the Company's subsidiary, AGRO, entered into an agreement (internally rated AA) which guarantees the receipt of a minimum rental income from a multifamily and commercial real estate portfolio. The minimum rental income guaranteed by AGRO is significantly below current annual rental income, and further protective provisions are triggered when rental income falls below a certain level. In addition, AGRO is entitled to be reimbursed for any claims made on the guarantee from future rental income generated by the portfolio. The Company's maximum potential exposure under the

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

guarantee was $250 million $232 million as of June 30, 2022 September 30, 2022. The Company accounts for the guarantee in accordance with Accounting Standards Codification (ASC) 460, *Guarantees.*

4. Expected Loss to be Paid (Recovered)

Expected loss to be paid (recovered) is equal to the present value of expected future cash outflows for loss and LAE payments, net of: (i) inflows for expected salvage, subrogation and other recoveries; and (ii) excess spread on underlying collateral, as applicable. Cash flows are discounted at current risk-free rates. The Company updates the discount rates each quarter and reflects the effect of such changes in economic loss development. Net expected loss to be paid (recovered) is net of amounts ceded to reinsurers. The Company's net expected loss to be paid (recovered) incorporates management's probability weighted estimates of all possible scenarios.

Expected cash outflows and inflows are probability weighted cash flows that reflect management's assumptions about the likelihood of all possible outcomes based on all information available to it. Those assumptions consider the relevant facts and circumstances and are consistent with the information tracked and monitored through the Company's risk management activities. Expected loss to be paid (recovered) is important in that it represents the present value of amounts that the Company expects to pay or recover in future periods for all contracts.

Management compiles and analyzes loss information for all exposures on a consistent basis, in order to effectively evaluate and manage the economics and liquidity of the entire insured portfolio. The Company monitors and assigns ratings and calculates expected loss to be paid (recovered) in the same manner for all its exposures regardless of form or differing accounting models. This note provides information regarding expected claim payments to be made under all contracts in the insured portfolio.

In circumstances where the Company has purchased its own insured obligations that had expected losses, and in cases where issuers of insured obligations elected or the Company and an issuer mutually agreed as part of a negotiation to deliver the underlying collateral, insured obligation or a new security to the Company, expected loss to be paid (recovered) is reduced and the asset received is prospectively accounted for under the applicable guidance for that instrument.

Economic loss development represents the change in net expected loss to be paid (recovered) attributable to the effects of changes in the economic performance of insured transactions, changes in assumptions based on observed market trends, changes in discount rates, accretion of discount and the economic effects of loss mitigation efforts.

The insured portfolio includes policies accounted for under various accounting models depending on the characteristics of the contract and the Company's control rights. The three primary models are: (1) insurance, as described in Note 5, Contracts Accounted for as Insurance; (2) derivatives, as described in Note 6, Contracts Accounted for as Credit Derivatives, and Note 9, Fair Value Measurement; and (3) FG VIE consolidation, as described in Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles. The Company has paid and expects to pay future losses and/or recover past losses on policies which fall under each of these accounting models.

Loss Estimation Process

The Company's loss reserve committees estimate expected loss to be paid (recovered) for all contracts by reviewing analyses that consider various scenarios with corresponding probabilities assigned to them. Depending upon the nature of the risk, the Company's view of the potential size of any loss and the information available to the Company, that analysis may be based upon individually developed cash flow models, internal credit rating assessments, sector-driven loss severity assumptions and/or judgmental assessments. In the case of its assumed business, the Company may conduct its own analysis as just described or, depending on the Company's view of the potential size of any loss and the information available to the Company, the Company may use loss estimates provided by ceding insurers. The Company monitors the performance of its transactions with expected losses and each quarter the Company's loss reserve committees review and refresh their loss projection

assumptions, scenarios and the probabilities they assign to those scenarios based on actual developments during the period and their view of future performance.
The financial guaranties issued by the Company insure the credit performance of the guaranteed obligations over an extended period of time, in some cases over 30 years, and in most circumstances the Company has no right to cancel such financial guaranties. As a result, the Company's estimate of ultimate loss on a policy is subject to significant uncertainty over the life of the insured transaction. Credit performance can be adversely affected by economic, fiscal and financial market variability over the life of most contracts.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

The Company does not use traditional actuarial approaches to determine its estimates of expected losses. The determination of expected loss to be paid (recovered) is an inherently subjective process involving numerous estimates, assumptions and judgments by management, using both internal and external data sources with regard to frequency, severity of loss, economic projections, governmental actions, negotiations, recovery rates, delinquency and prepayment rates (with respect to RMBS), timing of cash flows, and other factors that affect credit performance. These estimates, assumptions and judgments, and the factors on which they are based, may change materially over a reporting period, and have a material effect on the Company's financial statements. Each quarter, the Company may revise its scenarios and update its assumptions, including the probability weightings of its scenarios based on public information as well as nonpublic information obtained through its surveillance and loss mitigation activities. Such information includes management's view of the potential impact of COVID-19 on its distressed exposures. Management assesses the possible implications of such information on each insured obligation, considering the unique characteristics of each transaction.

Changes over a reporting period in the Company's loss estimates for municipal obligations supported by specified revenue streams, such as revenue bonds issued by toll road authorities, municipal utilities or airport authorities, generally will be influenced by factors impacting their revenue levels, such as changes in demand; changing demographics; and other economic factors, especially if the obligations do not benefit from financial support from other tax revenues or governmental authorities. Changes over a reporting period in the Company's loss estimates for its tax-supported public finance transactions generally will be influenced by factors impacting the public issuer's ability and willingness to pay, such as changes in the economy and population of the relevant area; changes in the issuer's ability or willingness to raise taxes, decrease spending or receive federal assistance; new legislation; rating agency actions that affect the issuer's ability to refinance maturing obligations or issue new debt at a reasonable cost; changes in the priority or amount of pensions and other obligations owed to workers; developments in restructuring or settlement negotiations; and other political and economic factors. Changes in loss estimates may also be affected by the Company's loss mitigation efforts and other variables.

Changes in the Company's loss estimates for structured finance transactions generally will be influenced by factors impacting the performance of the assets supporting those transactions. For example, changes over a reporting period in the Company's loss estimates for its RMBS transactions may be influenced by factors such as the level and timing of loan defaults experienced, changes in housing prices, results from the Company's loss mitigation activities, and other variables.

Actual losses will ultimately depend on future events or transaction performance and may be influenced by many interrelated factors that are difficult to predict. As a result, the Company's current projections of losses may be subject to considerable volatility and may not reflect the Company's ultimate claims paid.

In some instances, the terms of the Company's policy or the terms of certain workout orders and resolutions give it the option to pay principal losses that have been recognized in the transaction but which it is not yet required to pay, thereby reducing the amount of guaranteed interest due in the future. The Company has sometimes exercised this option, which uses cash but reduces projected future losses.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Net Expected Loss to be Paid (Recovered) and Net Economic Loss Development (Benefit) by Accounting Model

Accounting Model	Accounting Model	Net Expected Loss to be Paid (Recovered) As of June 30, 2022	Net Expected Loss to be Paid (Recovered) As of December 31, 2021	Net Economic Loss Development (Benefit) Second Quarter 2022	Second Quarter 2021	Six Months 2022	Six Months 2021	Accounting Model	Net Expected Loss to be Paid (Recovered) As of September 30, 2022	Net Expected Loss to be Paid (Recovered) As of December 31, 2021	Net Economic Loss Development (Benefit) Third Quarter 2022	Third Quarter 2021	Nine Months 2022	Nine Months 2021
		(in millions)							(in millions)					
Insurance (see Note 5)	Insurance (see Note 5)	$ 405	$ 364	$ (26)	$ (25)	$ (70)	$ (9)	Insurance (see Note 5)	$ 695	$ 364	$ (67)	$ (82)	$ (137)	$ (91)
FG VIEs (see Note 8)	FG VIEs (see Note 8)	32	42	(6)	(1)	(10)	(7)	FG VIEs (see Note 8)	28	42	(6)	(10)	(16)	(17)
Credit derivatives (see Note 6)	Credit derivatives (see Note 6)	5	5	—	6	4	9	Credit derivatives (see Note 6)	4	5	1	(2)	5	7
Total	Total	$ 442	$ 411	$ (32)	$ (20)	$ (76)	$ (7)	Total	$ 727	$ 411	$ (72)	$ (94)	$ (148)	$ (101)

The following tables present a roll forward of net expected loss to be paid (recovered) for all contracts, which are accounted for under one of the following accounting models: insurance, derivative and FG VIE. The Company used risk-free rates for U.S. dollar denominated obligations that ranged from 1.67% 2.98% to 3.41% 4.18% with a weighted average of 2.90% 3.97% as of June 30, 2022 September 30, 2022 and 0.00% to 1.98% with a weighted average of 1.02% as of December 31, 2021. Expected losses to be paid for U.S.

dollar denominated transactions represented approximately 98.6% 99.3% and 97.2% of the total as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively.

Net Expected Loss to be Paid (Recovered) Roll Forward

		Second Quarter 2022	Second Quarter 2021	Six Months 2022	Six Months 2021		Third Quarter 2022	Third Quarter 2021	Nine Months 2022	Nine Months 2021
		(in millions)					(in millions)			
Net expected loss to be paid (recovered), beginning of period	Net expected loss to be paid (recovered), beginning of period	$ 432	$ 472	$ 411	$ 529	Net expected loss to be paid (recovered), beginning of period	$ 442	$ 466	$ 411	$ 529
Economic loss development (benefit) due to:	Economic loss development (benefit) due to:					Economic loss development (benefit) due to:				
Accretion of discount	Accretion of discount	3	2	5	3	Accretion of discount	3	2	8	5
Changes in discount rates	Changes in discount rates	(42)	15	(89)	(33)	Changes in discount rates	(25)	(1)	(114)	(34)
Changes in timing and assumptions	Changes in timing and assumptions	7	(37)	8	23	Changes in timing and assumptions	(50)	(95)	(42)	(72)
Total economic loss development (benefit)	Total economic loss development (benefit)	(32)	(20)	(76)	(7)	Total economic loss development (benefit)	(72)	(94)	(148)	(101)
Net (paid) recovered losses (1)	Net (paid) recovered losses (1)	42	14	107	(56)	Net (paid) recovered losses (1)	357	(173)	464	(229)
Net expected loss to be paid (recovered), end of period	Net expected loss to be paid (recovered), end of period	$ 442	$ 466	$ 442	$ 466	Net expected loss to be paid (recovered), end of period	$ 727	$ 199	$ 727	$ 199

(1) In third quarter 2022, the Company received from the Commonwealth, pursuant to the GO/PBA Plan and the terms of the HTA PSA, $147 million of cash and $672 million original notional of CVI.

Net Expected Loss to be Paid (Recovered)
Roll Forward by Sector

Sector	Second Quarter 2022			
	Net Expected Loss to be Paid (Recovered) as of March 31, 2022	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of June 30, 2022
	(in millions)			
Public finance:				
U.S. public finance	$ 181	$ 8	$ 21	$ 210
Non-U.S. public finance	10	(2)	(1)	7
Public finance	191	6	20	217
Structured finance:				
U.S. RMBS	195	(39)	23	179
Other structured finance	46	1	(1)	46
Structured finance	241	(38)	22	225
Total	$ 432	$ (32)	$ 42	$ 442

Sector	Sector	Second Quarter 2021				Sector	Third Quarter 2022			
		Net Expected Loss to be Paid (Recovered) as of March 31, 2021	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of June 30, 2021		Net Expected Loss to be Paid (Recovered) as of June 30, 2022	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of September 30, 2022
		(in millions)					(in millions)			
Public finance:	Public finance:					Public finance:				
U.S. public finance	U.S. public finance	$ 228	1	$ (8)	$ 221	U.S. public finance	$ 210	$ 24	$ 392	$ 626
Non-U.S. public finance	Non-U.S. public finance	24	(1)	(1)	22	Non-U.S. public finance	7	(2)	1	6
Public finance	Public finance	252	—	(9)	243	Public finance	217	22	393	632
Structured finance:	Structured finance:					Structured finance:				
U.S. RMBS	U.S. RMBS	181	(28)	25	178	U.S. RMBS	179	(95)	(32)	52
Other structured finance	Other structured finance	39	8	(2)	45	Other structured finance	46	1	(4)	43
Structured finance	Structured finance	220	(20)	23	223	Structured finance	225	(94)	(36)	95
Total	Total	$ 472	$ (20)	$ 14	$ 466	Total	$ 442	$ (72)	$ 357	$ 727

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Sector	Sector	Six Months 2022				Sector	Third Quarter 2021			
		Net Expected Loss to be Paid (Recovered) as of December 31, 2021	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of June 30, 2022		Net Expected Loss to be Paid (Recovered) as of June 30, 2021	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of September 30, 2021
		(in millions)					(in millions)			

Sector	Sector					Sector				
Public finance:	Public finance:					Public finance:				
U.S. public finance	U.S. public finance	$ 197	$ (40)	$ 53	$ 210	U.S. public finance	$ 221	(29)	$ (201)	$ (9)
Non-U.S. public finance	Non-U.S. public finance	12	(4)	(1)	7	Non-U.S. public finance	22	(2)	(1)	19
Public finance	Public finance	209	(44)	52	217	Public finance	243	(31)	(202)	10
Structured finance:	Structured finance:					Structured finance:				
U.S. RMBS	U.S. RMBS	150	(32)	61	179	U.S. RMBS	178	(65)	29	142
Other structured finance	Other structured finance	52	—	(6)	46	Other structured finance	45	2	—	47
Structured finance	Structured finance	202	(32)	55	225	Structured finance	223	(63)	29	189
Total	Total	$ 411	$ (76)	$ 107	$ 442	Total	$ 466	$ (94)	$ (173)	$ 199

		Six Months 2021					Nine Months 2022			
Sector	Sector	Net Expected Loss to be Paid (Recovered) as of December 31, 2020	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of June 30, 2021	Sector	Net Expected Loss to be Paid (Recovered) as of December 31, 2021	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of September 30, 2022
		(in millions)					(in millions)			
Public finance:	Public finance:					Public finance:				
U.S. public finance	U.S. public finance	$ 305	$ 16	$ (100)	$ 221	U.S. public finance	$ 197	$ (16)	$ 445	$ 626
Non-U.S. public finance	Non-U.S. public finance	36	(13)	(1)	22	Non-U.S. public finance	12	(6)	—	6
Public finance	Public finance	341	3	(101)	243	Public finance	209	(22)	445	632
Structured finance:	Structured finance:					Structured finance:				
U.S. RMBS	U.S. RMBS	148	(17)	47	178	U.S. RMBS	150	(127)	29	52
Other structured finance	Other structured finance	40	7	(2)	45	Other structured finance	52	1	(10)	43
Structured finance	Structured finance	188	(10)	45	223	Structured finance	202	(126)	19	95
Total	Total	$ 529	$ (7)	$ (56)	$ 466	Total	$ 411	$ (148)	$ 464	$ 727

	Nine Months 2021			
Sector	Net Expected Loss to be Paid (Recovered) as of December 31, 2020	Economic Loss Development (Benefit)	Net (Paid) Recovered Losses (1)	Net Expected Loss to be Paid (Recovered) as of September 30, 2021
	(in millions)			
Public finance:				
U.S. public finance	$ 305	$ (13)	$ (301)	$ (9)
Non-U.S. public finance	36	(15)	(2)	19
Public finance	341	(28)	(303)	10
Structured finance:				

U.S. RMBS	148	(82)	76	142
Other structured finance	40	9	(2)	47
Structured finance	188	(73)	74	189
Total	$ 529	$ (101)	$ (229)	$ 199

(1) Net of ceded paid losses, whether or not such amounts have been settled with reinsurers. Ceded paid losses are typically settled 45 days after the end of the reporting period. Such amounts are recorded as reinsurance recoverable on paid losses in other assets.

The tables above include (a) LAE paid of $7 million $5 million, $6 million $5 million, $20 million $25 million and $10 million $15 million for second third quarter 2022, second third quarter 2021, six nine months 2022 and six nine months 2021, respectively, and (b) expected LAE to be paid of $14 million $11 million as of June 30, 2022 September 30, 2022 and $26 million as of December 31, 2021. Ceded expected loss and LAE to be recovered (paid) was $(3) $(2) million as of June 30, 2022 September 30, 2022 and $10 million as of December 31, 2021.

Selected U.S. Public Finance Transactions

The primary components of expected loss to be paid (recovered) and/or economic loss development (benefit) as of September 30, 2022 and for the three and nine months ended 2022 are discussed below.

The Company insured general obligation bonds of the Commonwealth of Puerto Rico and various obligations of its related authorities and public corporations aggregating $2.2 $2.1 billion net par outstanding as of June 30, 2022 September 30, 2022, all of which was BIG. For additional information regarding the Company's Puerto Rico exposure, see “Exposure to Puerto Rico” in Note 3, Outstanding Exposure.

On March 15, 2022, the GO/PBA Plan, PRCCDA Modification, and PRIFA Modification were consummated, as described under “Exposure to Puerto Rico” in Note 3, Outstanding Exposure. The fair value On July 8, 2022, the Company received from the Commonwealth, pursuant to the GO/PBA Plan and the terms of the HTA PSA, additional cash and CVIs. On the HTA Effective Date, the Company also expects to receive additional recoveries received under these March in the form of cash and Toll Bonds. For additional information regarding the Company's Puerto Rico Resolutions (which included cash, new recovery bonds and CVIs) and some of those expected exposure, see “Exposure to be received under the HTA Plan were higher than expected. The Company also updated its assumptions for certain other defaulted Puerto Rico credits that have not yet been settled. Rico” in Note 3, Outstanding Exposure.

On February 25, 2015, a plan of adjustment resolving the bankruptcy filing of the City of Stockton, California under chapter 9 of the Bankruptcy Code became effective. As of June 30, 2022 September 30, 2022, the Company's net par outstanding subject to the plan consisted of $100 million $96 million of pension obligation bonds. As part of the plan of adjustment, the City will repay claims paid on the pension obligation bonds from certain fixed payments and certain variable payments contingent on the City's revenue growth.

The Company insures a large integrated healthcare system with net par of $820 million which was downgraded to BIG in third quarter 2022 due to its weak operating results and liquidity position.

The Company projects its total net expected loss to be paid across its troubled U.S. public finance exposures as of June 30, 2022 September 30, 2022, including those mentioned above, to be $210 million $626 million, compared with $197 million as of December 31, 2021. The economic loss development for U.S. public finance transactions was $8 million $24 million during second third quarter 2022 and was primarily attributable to healthcare and Puerto Rico transactions, exposures, partially offset by the effect of changes in discount rates. The economic benefit for U.S. public finance transactions was $40 million $16 million during six nine months 2022, which was primarily attributable to changes in discount rates. rates and higher projected revenues for certain exposures, partially offset by healthcare and Puerto Rico exposures. The changes attributable to the Company's Puerto Rico exposures reflect adjustments the Company made to the assumptions it used in its scenarios and valuation of certain recovery components based on the public information as discussed under “Exposure to Puerto Rico” in Note 3, Outstanding Exposure as well as nonpublic information related to its loss mitigation activities during the period.

Selected Non - U.S. Public Finance Transactions

Expected loss to be paid for non-U.S. public finance transactions was $7 million as of June 30, 2022, compared with $12 million as of December 31, 2021. The economic benefit for non-U.S. public finance transactions was $2 million and $4 million during second quarter 2022 and six months 2022, respectively.

U.S. RMBS Loss Projections

The Company projects losses on its insured U.S. RMBS on a transaction-by-transaction basis by projecting the performance of the underlying pool of mortgages over time and then applying the structural features (i.e., payment priorities and tranching) of the RMBS and any expected representation and warranty (R&W) recoveries/payables to the projected performance of the collateral over time. The resulting projected claim payments or reimbursements are then discounted using risk-free rates.

Each period the Company makes a judgment as to whether to change the assumptions it uses to make RMBS loss projections based on its observation during the period of the performance of its insured transactions (including early-stage delinquencies, late-stage delinquencies and loss severity) as well as the residential property market and economy in general, and, to the extent it observes changes, it makes a judgment as to whether those changes are normal fluctuations or part of a trend. The assumptions that the Company uses to project RMBS losses are shown in the sections below.

Net Economic Loss Development (Benefit)
U.S. RMBS

		Second Quarter		Six Months			Third Quarter		Nine Months	
		2022	2021	2022	2021		2022	2021	2022	2021
							(in millions)			
First lien U.S. RMBS	First lien U.S. RMBS	$ (14)	(14)	$ 4	$ 11	First lien U.S. RMBS	$ (38)	(10)	$ (34)	$ 1
Second lien U.S. RMBS	Second lien U.S. RMBS	(25)	(14)	(36)	(28)	Second lien U.S. RMBS	(57)	(55)	(93)	(83)

First Lien U.S. RMBS Loss Projections: Alt-A, Prime, Option ARM and Subprime

The majority of projected losses in first lien U.S. RMBS transactions are expected to come from non-performing mortgage loans (those that are or have recently been two or more payments behind, have been modified, are in foreclosure, or have been foreclosed upon). Changes in the amount of non-performing loans from the amount projected in the previous period are one of the primary drivers of loss projections in this portfolio. In order to determine the number of defaults resulting from these delinquent and foreclosed loans, the Company applies a liquidation rate assumption to loans in each of various non-performing categories. The Company arrived at its liquidation rates based on data purchased from a third-party provider and assumptions about how delays in the foreclosure process and loan modifications may ultimately affect the rate at which loans are liquidated. Each quarter the Company reviews recent data and (if necessary) adjusts its liquidation rates based on its observations. The following table shows liquidation assumptions for various non-performing and re-performing categories.

First Lien U.S. RMBS Liquidation Rates

	As of	
	September 30, 2022	December 31, 2021
Current but recently delinquent		
Alt-A and Prime	20%	20%
Option ARM	20	20
Subprime	20	20
30 – 59 Days Delinquent		
Alt-A and Prime	35	35
Option ARM	35	35
Subprime	30	30
60 – 89 Days Delinquent		
Alt-A and Prime	40	40
Option ARM	45	45
Subprime	40	40
90+ Days Delinquent		
Alt-A and Prime	55	55
Option ARM	60	60
Subprime	45	45
Bankruptcy		
Alt-A and Prime	45	45
Option ARM	50	50
Subprime	40	40
Foreclosure		
Alt-A and Prime	60	60
Option ARM	65	65
Subprime	55	55
Real Estate Owned		
All	100	100

First Lien U.S. RMBS Liquidation Rates

	As of	
	June 30, 2022	December 31, 2021
Current but recently delinquent		
Alt-A and Prime	20%	20%
Option ARM	20	20
Subprime	20	20
30 – 59 Days Delinquent		
Alt-A and Prime	35	35
Option ARM	35	35
Subprime	30	30
60 – 89 Days Delinquent		
Alt-A and Prime	40	40
Option ARM	45	45
Subprime	40	40
90+ Days Delinquent		
Alt-A and Prime	55	55
Option ARM	60	60
Subprime	45	45
Bankruptcy		
Alt-A and Prime	45	45
Option ARM	50	50
Subprime	40	40
Foreclosure		
Alt-A and Prime	60	60
Option ARM	65	65
Subprime	55	55
Real Estate Owned		
All	100	100

While the Company uses the liquidation rates above to project defaults of non-performing loans (including current loans that were recently modified or delinquent), it projects defaults on presently current loans by applying a conditional default rate (CDR) curve. The start of that CDR curve is based on the defaults the Company projects will emerge from currently nonperforming, recently nonperforming and modified loans. The total amount of expected defaults from the non-performing loans is translated into a constant CDR (i.e., the CDR plateau), which, if applied for each of the next 36 months, would be sufficient to produce approximately the amount of defaults that were calculated to emerge from the various delinquency categories. The CDR thus calculated individually on the delinquent collateral pool for each RMBS is then used as the starting point for the CDR curve used to project defaults of the presently performing loans.

In the most heavily weighted scenario (the base case) scenario), after the initial 36-month CDR plateau period, each transaction's CDR is projected to improve over 12 months to an intermediate CDR (calculated as 20% of its CDR plateau); that intermediate CDR is held constant and then steps to a final CDR of 5% of the CDR plateau. plateau CDR. In the base case, scenario, the Company assumes the final CDR will be reached 1.00 year after the initial 36-month CDR plateau period. Under the Company's methodology, defaults projected to occur in the first 36 months represent defaults that can be attributed to loans that were recently modified or delinquent, or that are currently delinquent or in foreclosure, while the defaults projected to occur using the projected CDR trend after the first 36-month period represent defaults attributable to borrowers that are currently performing or are projected to re-perform.

Another important driver of loss projections is loss severity, which is the amount of loss the transaction incurs on a loan after the application of net proceeds from the disposal of the underlying property. The Company assumes in the base case scenario that recent (still historically elevated) loss severities will improve after loans with accumulated delinquencies and foreclosure cost are liquidated. The Company is assuming in the base case scenario that the recent levels generally will continue for another 18

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

months. The Company determines its initial loss severity based on actual recent experience. Each quarter the Company reviews available data and (if necessary) adjusts its severities based on its observations. The Company then assumes that loss severities begin returning to levels consistent with underwriting assumptions beginning after the initial

18-month period, declining to 40% in the base case scenario over 2.5 years.

The following table shows the range as well as the average, weighted by outstanding net insured par, for key assumptions used in the calculation of expected loss to be paid (recovered) for individual transactions for vintage 2004 - 2008 first lien U.S. RMBS.

Key Assumptions in Base Case Scenario Expected Loss Estimates
First Lien U.S. RMBS

		As of June 30, 2022		As of December 31, 2021			As of September 30, 2022		As of December 31, 2021	
		Range	Weighted Average	Range	Weighted Average		Range	Weighted Average	Range	Weighted Average
Alt-A and Prime:	Alt-A and Prime:					Alt-A and Prime:				
Plateau CDR	Plateau CDR	1.9 % - 14.5%	6.0%	0.9 % - 11.6%	5.9%	Plateau CDR	1.3 % - 12.1%	5.6%	0.9 % - 11.6%	5.9%
Final CDR	Final CDR	0.1 % - 0.7%	0.3%	0.0 % - 0.6%	0.3%	Final CDR	0.1 % - 0.6%	0.3%	0.0 % - 0.6%	0.3%
Initial loss severity:	Initial loss severity:					Initial loss severity:				
2005 and prior	2005 and prior	50%		60%		2005 and prior	50%		60%	
2006	2006	50%		60%		2006	50%		60%	
2007+	2007+	50%		60%		2007+	50%		60%	
Option ARM:	Option ARM:					Option ARM:				
Plateau CDR	Plateau CDR	0.9 % - 11.0%	5.2%	1.8 % - 11.9%	5.6%	Plateau CDR	1.8 % - 9.5%	4.7%	1.8 % - 11.9%	5.6%
Final CDR	Final CDR	0.0 % - 0.5%	0.3%	0.1 % - 0.6%	0.3%	Final CDR	0.1 % - 0.5%	0.2%	0.1 % - 0.6%	0.3%
Initial loss severity:	Initial loss severity:					Initial loss severity:				
2005 and prior	2005 and prior	50%		60%		2005 and prior	50%		60%	
2006	2006	50%		60%		2006	50%		60%	
2007+	2007+	50%		60%		2007+	50%		60%	
Subprime:	Subprime:					Subprime:				
Plateau CDR	Plateau CDR	2.8 % - 9.8%	6.0%	2.9 % - 10.0%	6.0%	Plateau CDR	2.1 % - 9.3%	5.8%	2.9 % - 10.0%	6.0%
Final CDR	Final CDR	0.1 % - 0.5%	0.3%	0.1 % - 0.5%	0.3%	Final CDR	0.1 % - 0.5%	0.3%	0.1 % - 0.5%	0.3%
Initial loss severity:	Initial loss severity:					Initial loss severity:				
2005 and prior	2005 and prior	50%		60%		2005 and prior	50%		60%	
2006	2006	50%		60%		2006	50%		60%	
2007+	2007+	50%		60%		2007+	50%		60%	

The rate at which the principal amount of loans is voluntarily prepaid may impact both the amount of losses projected (since that amount is a function of the CDR, the loss severity and the loan balance over time) as well as the amount of excess spread (the amount by which the interest paid by the borrowers on the underlying loan exceeds the amount of interest owed on the insured obligations). The assumption for the voluntary conditional prepayment rate (CPR) follows a pattern similar to that of the CDR. The current level of voluntary prepayments is assumed to continue for the plateau period before gradually increasing over 12 months to the final CPR, which is assumed to be 15% in the base case. scenario. For transactions where the initial CPR is higher than the final CPR, the initial CPR is held constant and the final CPR is not used. These CPR assumptions are the same as those the Company used for December 31, 2021.

The Company incorporates a recovery assumption into its reserving model to reflect observed trends in recoveries of deferred principal balances of modified first lien loans that had been previously written off. For transactions where the Company has detailed loan information, the Company assumes that 20% of the deferred loan balances will eventually be recovered upon sale of the collateral or refinancing of the loans.

In estimating expected losses, the Company modeled and probability weighted sensitivities for first lien U.S. RMBS transactions by varying its assumptions of how fast a recovery is expected to occur. One of the variables used to model sensitivities was how quickly the CDR returned to its modeled equilibrium, which was defined as 5% of the initial plateau CDR. The

Company also stressed CPR and the speed of recovery of loss severity rates. The Company probability weighted a total of five scenarios as of June 30, 2022 September 30, 2022 and December 31, 2021.

Total expected loss to be paid on all first lien U.S. RMBS was $195 million $110 million and $167 million as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively. The $14 million $38 million economic benefit in second third quarter 2022 for first lien U.S. RMBS transactions was primarily attributable to the purchase of a loss mitigation security (see Note 7, Investments), changes in discount rates, lower initial severity assumptions a benefit on certain assumed RMBS transactions related to a settlement between a ceding company and a R&W provider, and improved transaction performance, in certain transactions, partially offset by lower excess spread. The $4 million $34 million economic loss development benefit in six nine months 2022 for first lien U.S. RMBS transactions was primarily attributable to lower excess spread, partially offset by changes in discount rates, the purchase of

a loss mitigation security, lower assumed initial severity, assumptions and improved performance in certain transactions. Certain transactions and a benefit on certain assumed RMBS transactions related to a settlement between a ceding company and a R&W provider, partially offset by lower excess spread.

Certain transactions benefit from excess excess spread when they are supported by large portions of fixed rate assets (either originally fixed or modified to be fixed) but have insured floating rate debt linked linked to LIBOR. An increase in projected LIBOR decreases excess spread, while lower LIBOR results in higher excess spread. ICE Benchmark Administration (IBA) and the Financial Conduct Authority (FCA) have announced that LIBOR will be discontinued after June 30, 2023. The Company believes that the RMBS reference to LIBOR in such floating rate RMBS debt it insures will consistent be replaced, by operation of law in accordance with federal legislation enacted in March 2022, be interpreted to instead reference with a rate based on the Secured Overnight Finance Rate (SOFR).

The Company used a similar approach to establish its pessimistic and optimistic scenarios as of June 30, 2022 September 30, 2022 as it used as of December 31, 2021, increasing and decreasing the periods of stress from those used in the base case. scenario. In the Company's most stressful scenario where loss severities were assumed to rise and then recover over nine years and the initial ramp-down of the CDR was assumed to occur over 15 16 months, expected loss to be paid would increase from current projections by approximately $15 million $13 million for all first lien U.S. RMBS transactions. In the Company's least stressful scenario where the CDR plateau was six months shorter (30 months, effectively assuming that liquidation rates would improve) and the CDR recovery was more pronounced (including an initial ramp-down of the CDR over nine eight months), expected loss to be paid would decrease from current projections by approximately $11 million $8 million for all first lien U.S. RMBS transactions.

Second Lien U.S. RMBS Loss Projections

Second lien U.S. RMBS transactions include both home equity lines of credit (HELOC) and closed end second lien mortgages. The Company believes the primary variable affecting its expected losses in second lien RMBS transactions is the amount and timing of future losses or recoveries in the collateral pool supporting the transactions. transactions (including recoveries from previously charged-off loans). Expected losses are also a function of the structure of the transaction, the CPR prepayment speeds of the collateral, the interest rate environment and assumptions about loss severity.

In second lien U.S. RMBS transactions, the projection of near-term defaults from currently delinquent loans is relatively straightforward because loans are generally "charged off" (treated as defaulted) by the securitization's servicer once the loan is 180 days past due. The Company estimates the amount of loans that will default over the next six months several years by first calculating current representative expected liquidation rates. rates for delinquent loans, and applying liquidation rates to currently delinquent loans in order to arrive at an expected dollar amount of defaults from currently delinquent collateral (plateau period defaults).

Similar to first lien U.S. RMBS transactions, the Company then calculates a CDR for six months, which is that will cause the period over which targeted amount of liquidations to occur during the currently delinquent collateral is expected plateau period.

Prior to be liquidated. That CDR is then used as the basis third quarter 2022, for the plateau CDR period that follows the embedded plateau losses.

For the base case scenario, the CDR (the plateau CDR) was held constant for six months. Once the plateau period has had ended, the CDR is was assumed to gradually trend down in uniform increments to its final long-term steady state CDR. (The long-term steady state CDR is was calculated as the constant CDR that would have yielded the amount of losses originally expected at underwriting. underwriting, subject to a floor.) In the base case scenario, the time over which the CDR trends trended down to its final CDR is was 28 months. Therefore, the total stress period for second lien transactions is was 34 months, representing months.

The Company has observed lower than expected default rates and longer liquidation timelines due to significant home price appreciation and special servicing activity which now favors modifications and foreclosure actions rather than charge-offs at 180 days delinquent. In the third quarter 2022, the Company extended the time over which a portion of the delinquent loans default from six months of delinquent loan liquidations, followed by 28 to 36 months of decrease in the base scenario (conforming to the steady state methodology used for first lien U.S. RMBS transactions). After the plateau period, as with first lien U.S. RMBS transactions, the CDR trends down over one year to 5% of the same as plateau CDR. These changes in the shape of December 31, 2021. the CDR curve result in a longer period of stress defaults (48 months in the base scenario), but at lower default levels leading to lower overall levels of expected losses.

HELOC loans generally permit permitted the borrower to pay only interest for an initial period (often ten years) and, after that period, require the borrower to make both the monthly interest payment and a monthly principal payment. This causes the borrower's total monthly payment to increase, sometimes substantially, at the end of the initial interest-only period.

The HELOC A substantial number of loans underlying in the Company's insured HELOC transactions are now past their original interest-only reset date, although a significant number of HELOC loans were had been modified to extend the original interest-only period. The period to 15 years (mostly to 2022-2023), and there was uncertainty regarding the performance of these loans as they reset to full amortization.

Recently, the Company does not apply a CDR increase when such has observed the performance of the modified loans are projected that have finally reset to reach their principal full amortization period due to (which represent the likelihood that those loans will either prepay or once again have their interest-only periods extended. The Company applies a CDR floor majority of 1.0% for the future steady state CDR on all its HELOC transactions. extended loans), and noted low levels of delinquency, even with substantial increases in

monthly payments. This observed performance lowers the level of uncertainty regarding this modified cohort as the remainder continue to reset.

When a second lien loan defaults, there is generally a low recovery. The Company assumed, as of June 30, 2022 September 30, 2022 and December 31, 2021, that it will generally recover 2% of future defaulting collateral at the time of charge-off, with additional amounts of post charge-off recoveries projected to come in over time. A second lien on the borrower's home may be retained in the Company's second lien transactions after the loan is charged off and the loss applied to the transaction, particularly in cases where the holder of the first lien has not foreclosed. If the second lien is retained and the value of the home increases, the servicer may be able to use the second lien to increase recoveries, either by arranging for the borrower to resume payments or by realizing value upon the sale of the underlying real estate. The Company evaluates its assumptions quarterly based on actual recoveries of charged-off loans observed from period to period. period and reasonable expectations of future recoveries. In instances where the Company is able to obtain information on the lien status of charged-off loans, it assumes there will be a certain level of future recoveries of the balance of the charged-off loans where the second lien is still intact. The Company's recovery assumption for charged-off loans is 30%, as shown in the table below, based on recent observed trends. trends and reasonable expectations of future recoveries. Such recoveries are assumed to be received evenly over the next five years. If the recovery rate decreases to 20%, expected loss to be paid would increase from current projections by approximately $40 million $39 million. If the recovery rate increases to 40%, expected loss to be paid would decrease from current projections by approximately $40 $39 million.

The rate at which the principal amount of loans is prepaid may impact both the amount of losses projected as well as the amount of excess spread. In the base case, scenario, an average CPR (based on experience of the past year) is assumed to continue until the end of the plateau before gradually increasing to the final CPR over the same period the CDR decreases. The final CPR is assumed to be 15% for second lien U.S. RMBS transactions (in the base case) scenario), which is lower than the historical average but reflects the Company's continued uncertainty about the projected performance of the borrowers in these transactions. For transactions where the initial CPR is higher than the final CPR, the initial CPR is held constant and the final CPR is not used. This pattern is consistent with how the Company modeled the CPR as of December 31, 2021. To the extent that prepayments differ from projected levels it could materially change the Company's projected excess spread and losses.

In estimating expected losses, the Company modeled and probability weighted five scenarios, each with a different CDR curve applicable to the period preceding the return to the long-term steady state CDR. The Company believes that the level of the elevated CDR and the length of time it will persist and the ultimate prepayment rate are the primary drivers behind the amount of losses the collateral will likely suffer.

The following table shows the range as well as the average, weighted by net par outstanding, for key assumptions used in the calculation of expected loss to be paid (recovered) for individual transactions for vintage 2004 - 2008 HELOCs.

Key Assumptions in Base Case Scenario Expected Loss Estimates
HELOCs

		As of June 30, 2022		As of December 31, 2021			As of September 30, 2022		As of December 31, 2021	
		Range	Weighted Average	Range	Weighted Average		Range	Weighted Average	Range	Weighted Average
Plateau CDR	Plateau CDR	3.8 % - 36.7%	15.2%	6.5 % - 39.6%	16.4%	Plateau CDR	0.4 % - 7.6%	3.7%	6.5 % - 39.6%	16.4%
Final CDR trended down to	Final CDR trended down to	1.0%		1.0%		Final CDR trended down to	0.0 % - 0.4%	0.2%	1.0%	
Liquidation rates:	Liquidation rates:					Liquidation rates:				
Current but recently delinquent	Current but recently delinquent	20%		20%		Current but recently delinquent	20%		20%	
30 – 59 Days Delinquent	30 – 59 Days Delinquent	30		30		30 – 59 Days Delinquent	30		30	
60 – 89 Days Delinquent	60 – 89 Days Delinquent	40		40		60 – 89 Days Delinquent	40		40	

90+ Days Delinquent	90+ Days Delinquent	60	60	90+ Days Delinquent	60	60
Bankruptcy	Bankruptcy	55	55	Bankruptcy	55	55
Foreclosure	Foreclosure	55	55	Foreclosure	55	55
Real Estate Owned	Real Estate Owned	100	100	Real Estate Owned	100	100
Loss severity on future defaults	Loss severity on future defaults	98%	98%	Loss severity on future defaults	98%	98%
Projected future recoveries on previously charged-off loans	Projected future recoveries on previously charged-off loans	30%	30%	Projected future recoveries on previously charged-off loans	30%	30%

The Company continues to evaluate the assumptions affecting its modeling results. The Company believes the most important driver of its projected second lien RMBS losses is the performance of its HELOC transactions. Total net expected recovery for all second lien U.S. RMBS was $16 million $58 million as of June 30, 2022 September 30, 2022 and $17 million as of December 31, 2021. The

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

economic development benefit in second third quarter 2022 and six months 2022 was a benefit of $25 million $57 million, which was primarily driven by updates in the projected CDR curves, a benefit on certain assumed RMBS transactions related to a settlement between a ceding company and $36 million a R&W provider, improved performance of certain transactions, and higher recoveries for secured charged-off loans. The economic benefit in nine months 2022 was $93 million, respectively, and was primarily driven by due to improved performance of certain transactions, updates in the projected CDR curves, higher recoveries for secured charged-off loans, improved performance in a benefit on certain assumed RMBS transactions related to a settlement between a ceding company and a R&W provider, and changes in discount rates, partially offset by lower excess spread.

The Company updated its assumptions related to the CDR plateau and ramp-down during the third quarter 2022. The Company's base case scenario assumed a 36-month CDR plateau and a 12-month ramp-down (for a total stress period of 48 months), compared to a six-month CDR plateau and a 28 month 28-month ramp-down (for a total stress period of 34 months) as of December 31, 2021. The Company also modeled a scenario scenarios with a longer period of elevated defaults and another others with a shorter period of elevated defaults. In the Company's most stressful scenario, increasing the CDR plateau to eight 42 months and increasing the ramp-down by three four months to 31 16 months (for a total stress period of 39 58 months) would decrease the expected recovery by approximately $5 million $1 million for HELOC transactions. On the other hand, in the Company's least stressful scenario, reducing the CDR plateau to four 30 months and decreasing the length of the CDR ramp-down to 25 eight months (for a total stress period of 29 38 months), and lowering the ultimate prepayment rate to 10% would increase the expected recovery by approximately $5 million $2 million for HELOC transactions.

Structured Finance Excluding U.S. RMBS

The Company projected that its total net expected loss to be paid across its troubled structured finance exposures, excluding U.S. RMBS, as of June 30, 2022 September 30, 2022 was $46 million $43 million. The largest component of these structured finance losses were student loan securitizations issued by private issuers with $51 million $49 million in BIG net par outstanding. In general, the projected losses of these student loan securitizations are due to: (i) the poor credit performance of private student loan collateral and high loss severities, or (ii) high interest rates on auction rate securities with respect to which the auctions have failed. The Company also had exposure to troubled life insurance transactions with BIG net par of $40 million as of June 30, 2022 September 30, 2022.

Recovery Litigation

In the ordinary course of their respective businesses, certain of AGL's subsidiaries are involved in litigation with third parties to recover insurance losses paid in prior periods or prevent or reduce losses in the future. The impact, if any, of these and other proceedings on the amount of recoveries the Company receives and losses it pays in the future is uncertain, and the impact of any one or more of these proceedings during any quarter or year could be material to the Company's financial statements.

The Company has asserted claims in a number of legal proceedings in connection with its exposure to Puerto Rico. See Note 3, Outstanding Exposure, for a discussion of the Company's exposure to Puerto Rico and related recovery litigation being pursued by the Company.

5. Contracts Accounted for as Insurance

The portfolio of outstanding exposures discussed in Note 3, Outstanding Exposure, and Note 4, Expected Loss to be Paid (Recovered), includes contracts that are accounted for as insurance contracts, derivatives, and consolidated FG VIEs. Amounts presented in this note relate only to contracts accounted for as insurance, unless otherwise specified. See Note 6, Contracts Accounted for as Credit Derivatives, for amounts related to CDS and Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles, for amounts that are accounted for as consolidated FG VIEs.

Premiums

Net Earned Premiums

		Second Quarter		Six Months			Third Quarter		Nine Months	
		2022	2021	2022	2021		2022	2021	2022	2021
		(in millions)					(in millions)			
Financial guaranty insurance:	Financial guaranty insurance:					Financial guaranty insurance:				
Scheduled net earned premiums	Scheduled net earned premiums	70	80	$ 149	$ 161	Scheduled net earned premiums	70	81	$ 219	$ 242
Accelerations from refundings and terminations (1)	Accelerations from refundings and terminations (1)	5	15	133	31	Accelerations from refundings and terminations (1)	12	8	145	39
Accretion of discount on net premiums receivable	Accretion of discount on net premiums receivable	6	6	12	11	Accretion of discount on net premiums receivable	6	13	18	24
Financial guaranty insurance net earned premiums	Financial guaranty insurance net earned premiums	81	101	294	203	Financial guaranty insurance net earned premiums	88	102	382	305
Specialty net earned premiums	Specialty net earned premiums	1	1	2	2	Specialty net earned premiums	1	—	3	2
Net earned premiums	Net earned premiums	$ 82	$ 102	$ 296	$ 205	Net earned premiums	$ 89	$ 102	$ 385	$ 307

(1) Six Nine months 2022 accelerations include $104 million related to the March Puerto Rico Resolutions. See Note 3, Outstanding Exposure for additional information.

Gross Premium Receivable,
Net of Commissions Payable on Assumed Business
Roll Forward

		Six Months			Nine Months	
		2022	2021		2022	2021
		(in millions)			(in millions)	
Beginning of year	Beginning of year	$ 1,372	$ 1,372	Beginning of year	$ 1,372	$ 1,372
Less: Specialty insurance premium receivable	Less: Specialty insurance premium receivable	1	1	Less: Specialty insurance premium receivable	1	1
Financial guaranty insurance premiums receivable	Financial guaranty insurance premiums receivable	1,371	1,371	Financial guaranty insurance premiums receivable	1,371	1,371
Gross written premiums on new business, net of commissions	Gross written premiums on new business, net of commissions	137	165	Gross written premiums on new business, net of commissions	232	270
Gross premiums received, net of commissions	Gross premiums received, net of commissions	(180)	(184)	Gross premiums received, net of commissions	(258)	(274)
Adjustments:	Adjustments:			Adjustments:		

Changes in the expected term and debt service assumptions	Changes in the expected term and debt service assumptions	(4)	5	Changes in the expected term and debt service assumptions	(5)	6
Accretion of discount, net of commissions on assumed business	Accretion of discount, net of commissions on assumed business	12	10	Accretion of discount, net of commissions on assumed business	18	22
Foreign exchange gain (loss) on remeasurement	Foreign exchange gain (loss) on remeasurement	(102)	5	Foreign exchange gain (loss) on remeasurement	(181)	(22)
Financial guaranty insurance premium receivable		1,234	1,372			
Expected recovery of premiums previously written off				Expected recovery of premiums previously written off	—	4
Financial guaranty insurance premium receivable (1)				Financial guaranty insurance premium receivable (1)	1,177	1,377
Specialty insurance premium receivable	Specialty insurance premium receivable	1	1	Specialty insurance premium receivable	1	1
June 30,		$ 1,235	$ 1,373			
September 30,				September 30,	$ 1,178	$ 1,378

Approximately 76% and 78% of gross premiums receivable, net of commissions payable at June 30, 2022 September 30, 2022 and December 31, 2021, respectively, are denominated in currencies other than the U.S. dollar, primarily the pound sterling and euro.

The timing and cumulative amount of actual collections and net earned premiums may differ from those of expected collections and of expected net earned premiums in the table below due to factors such as foreign exchange rate fluctuations, counterparty collectability issues, accelerations, commutations, restructurings, changes in the consumer price index, changes in expected lives and new business.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Financial Guaranty Insurance
Expected Future Premium Collections and Earnings

		As of June 30, 2022			As of September 30, 2022	
		Future Premiums to be Collected (1)	Future Net Premiums to be Earned (2)		Future Gross Premiums to be Collected (1)	Future Net Premiums to be Earned (2)
		(in millions)			(in millions)	
2022 (July 1 - September 30)		$ 39	$ 72			
2022 (October 1 - December 31)	2022 (October 1 - December 31)	36	71	2022 (October 1 - December 31)	$ 27	$ 71
Subtotal 2022		75	143			
2023	2023	89	272	2023	105	271
2024	2024	87	255	2024	82	256
2025	2025	84	237	2025	80	240
2026	2026	81	221	2026	78	224
2027-2031	2027-2031	342	914	2027-2031	328	927
2032-2036	2032-2036	242	637	2032-2036	236	650
2037-2041	2037-2041	160	381	2037-2041	159	396
After 2041	After 2041	320	519	After 2041	329	555
Total	Total	$ 1,481	3,579	Total	$ 1,423	3,590
Future accretion	Future accretion		247	Future accretion		248

Total future net earned premiums	Total future net earned premiums	$ 3,826		Total future net earned premiums	$ 3,838	

(1) Net of commissions payable.
(2) Net of reinsurance.

Selected Information for Financial Guaranty Insurance Policies with Premiums Paid in Installments

		As of			As of	
		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
		(dollars in millions)			(dollars in millions)	
Premiums receivable, net of commissions payable	Premiums receivable, net of commissions payable	$ 1,234	$ 1,371	Premiums receivable, net of commissions payable	$ 1,177	$ 1,371
Deferred premium revenue	Deferred premium revenue	1,613	1,663	Deferred premium revenue	1,618	1,663
Weighted-average risk-free rate used to discount premiums	Weighted-average risk-free rate used to discount premiums	1.6%	1.6%	Weighted-average risk-free rate used to discount premiums	1.7%	1.6%
Weighted-average period of premiums receivable (in years)	Weighted-average period of premiums receivable (in years)	12.7	12.7	Weighted-average period of premiums receivable (in years)	12.9	12.7

Losses and Recoveries

Loss reserves and salvage are discounted at risk-free rates for U.S. dollar denominated financial guaranty insurance obligations that ranged from 1.67% 2.98% to 3.41% 4.18% with a weighted average of 2.90% 3.97% as of June 30, 2022 September 30, 2022 and 0.00% to 1.98% with a weighted average of 1.02% as of December 31, 2021.

The following tables provide information on net reserve (salvage), which includes loss and LAE reserves and salvage and subrogation recoverable, both net of reinsurance.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Net Reserve (Salvage) by Sector

		As of			As of	
Sector	Sector	June 30, 2022	December 31, 2021	Sector	September 30, 2022	December 31, 2021
		(in millions)			(in millions)	
Public finance:	Public finance:			Public finance:		
U.S. public finance	U.S. public finance	$ 154	$ 60	U.S. public finance	$ 549	$ 60
Non-U.S. public finance	Non-U.S. public finance	1	1	Non-U.S. public finance	1	1
Public finance	Public finance	155	61	Public finance	550	61
Structured finance:	Structured finance:			Structured finance:		
U.S. RMBS	U.S. RMBS	16	(24)	U.S. RMBS	(96)	(24)
Other structured finance	Other structured finance	41	42	Other structured finance	41	42
Structured finance	Structured finance	57	18	Structured finance	(55)	18
Total	Total	$ 212	$ 79	Total	$ 495	$ 79

Components of Net Reserve (Salvage)

As of	As of

		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
		(in millions)			(in millions)	
Loss and LAE reserve	Loss and LAE reserve	$ 716	$ 869	Loss and LAE reserve	$ 882	$ 869
Reinsurance recoverable on unpaid losses (1)	Reinsurance recoverable on unpaid losses (1)	(3)	(5)	Reinsurance recoverable on unpaid losses (1)	(3)	(5)
Loss and LAE reserve, net	Loss and LAE reserve, net	713	864	Loss and LAE reserve, net	879	864
Salvage and subrogation recoverable	Salvage and subrogation recoverable	(502)	(801)	Salvage and subrogation recoverable	(385)	(801)
Salvage and subrogation reinsurance payable (2)	Salvage and subrogation reinsurance payable (2)	1	16	Salvage and subrogation reinsurance payable (2)	1	16
Salvage and subrogation recoverable, net	Salvage and subrogation recoverable, net	(501)	(785)	Salvage and subrogation recoverable, net	(384)	(785)
Net reserve (salvage)	Net reserve (salvage)	$ 212	$ 79	Net reserve (salvage)	$ 495	$ 79

(1) Reported in "other assets" on the condensed consolidated balance sheets.
(2) Reported in "other liabilities" on the condensed consolidated balance sheets.

The table below provides a reconciliation of net expected loss to be paid (recovered) for financial guaranty insurance contracts to net expected loss to be expensed. Expected loss to be paid (recovered) for financial guaranty insurance contracts differs from expected loss to be expensed due to: (i) the contra-paid, which represents the claim payments made and recoveries received that have not yet been recognized in the statements of operations; (ii) salvage and subrogation recoverable for transactions that are in a net recovery position where the Company has not yet received recoveries on claims previously paid (and therefore recognized in income but not yet received); and (iii) loss reserves that have already been established (and therefore expensed but not yet paid).

Reconciliation of Net Expected Loss to be Paid (Recovered)
to Net Expected Loss to be Expensed
Financial Guaranty Insurance Contracts

	As of June 30, 2022 September 30, 2022
	(in millions)
Net expected loss to be paid (recovered) - financial guaranty insurance	$ 400 691
Contra-paid, net	19 18
Salvage and subrogation recoverable, net	501 384
Loss and LAE reserve - financial guaranty insurance contracts, net of reinsurance	(708) (875)
Net expected loss to be expensed (present value)	$ 212 218

The following table provides a schedule of the expected timing of net expected losses to be expensed. The amount and timing of actual loss and LAE may differ from the estimates shown below due to factors such as accelerations, commutations, changes in expected lives and updates to loss estimates. This table excludes amounts related to FG VIEs, which are eliminated in consolidation.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Net Expected Loss to be Expensed
Financial Guaranty Insurance Contracts

		As of June 30, 2022		As of September 30, 2022
		(in millions)		(in millions)
2022 (July 1 - September 30)		$ 4		
2022 (October 1 - December 31)	2022 (October 1 - December 31)	5	2022 (October 1 - December 31)	$ 3

Subtotal 2022		9			
2023	2023	18	2023		16
2024	2024	17	2024		17
2025	2025	16	2025		16
2026	2026	19	2026		20
2027-2031	2027-2031	72	2027-2031		75
2032-2036	2032-2036	48	2032-2036		51
2037-2041	2037-2041	10	2037-2041		11
After 2041	After 2041	3	After 2041		9
Net expected loss to be expensed	Net expected loss to be expensed	212	Net expected loss to be expensed		218
Future accretion	Future accretion	216	Future accretion		163
Total expected future loss and LAE	Total expected future loss and LAE	$ 428	Total expected future loss and LAE	$	381

The following table presents the loss and LAE reported in the condensed consolidated statements of operations by sector for insurance contracts. Amounts presented are net of reinsurance.

Loss and LAE (Benefit) by Sector

		Second Quarter		Six Months			Third Quarter		Nine Months	
Sector	Sector	2022	2021	2022	2021	Sector	2022	2021	2022	2021
		(in millions)					(in millions)			
Public finance:	Public finance:					Public finance:				
U.S. public finance	U.S. public finance	11	4	$ 66	$ 30	U.S. public finance	$ 1	$ (23)	$ 67	$ 7
Non-U.S. public finance	Non-U.S. public finance	—	(1)	—	(9)	Non-U.S. public finance	—	—	—	(9)
Public finance	Public finance	11	3	66	21	Public finance	1	(23)	67	(2)
Structured finance:	Structured finance:					Structured finance:				
U.S. RMBS	U.S. RMBS	(22)	(18)	$ (19)	$ (6)	U.S. RMBS	(78)	(48)	$ (97)	$ (54)
Other structured finance	Other structured finance	—	(1)	(1)	(1)	Other structured finance	2	3	1	2
Structured finance	Structured finance	(22)	(19)	(20)	(7)	Structured finance	(76)	(45)	(96)	(52)
Loss and LAE (Benefit)	Loss and LAE (Benefit)	$ (11)	$ (16)	$ 46	$ 14	Loss and LAE (Benefit)	$ (75)	$ (68)	$ (29)	$ (54)

The largest component primary difference between net economic loss development and the amount reported as “loss and LAE” in the consolidated statements of operations are that loss and LAE (benefit): (1) considers deferred premium revenue in the U.S. public finance calculation of loss expense was Puerto Rico exposures reserves for all periods presented. financial guaranty insurance contracts; (2) eliminates loss and LAE related to FG VIEs; and (3) does not include estimated losses on credit derivatives. The difference between public finance loss expense and economic benefit in six nine months 2022 was primarily attributable to the release of unearned premium reserve associated with extinguished Puerto Rico policies that previously had expected losses. The benefit in U.S. RMBS in all periods presented is primarily related to second lien transactions. For additional information on the expected timing of net expected losses to be expensed see Note 4, Expected Loss to be Paid (Recovered).

The following tables provide information on financial guaranty insurance contracts categorized as BIG.

Financial Guaranty Insurance
BIG Transaction Loss Summary
As of June 30, 2022 September 30, 2022

	Gross				
	BIG 1	BIG 2	BIG 3	Total BIG	Net Total BIG
	(dollars in millions)				
Number of risks (1)	107	20	123	250	250
Remaining weighted-average period (in years)	8.0	7.8	8.2	8.1	8.1
Outstanding exposure:					
Par	$ 1,822	$ 234	$ 3,298	$ 5,354	$ 5,327
Interest	752	60	1,227	2,039	2,035
Total (2)	$ 2,574	$ 294	$ 4,525	$ 7,393	$ 7,362
Expected cash outflows (inflows)	$ 64	$ 68	$ 3,396	$ 3,528	$ 3,515
Potential recoveries (3)	(381)	(38)	(2,492)	(2,911)	(2,899)
Subtotal	(317)	30	904	617	616
Discount	30	(6)	(240)	(216)	(216)
Expected losses to be paid (recovered)	$ (287)	$ 24	$ 664	$ 401	$ 400
Deferred premium revenue	$ 60	$ 12	$ 226	$ 298	$ 296
Reserves (salvage)	$ (303)	$ 19	$ 491	$ 207	$ 207

	Gross				
	BIG 1	BIG 2	BIG 3	Total BIG	Net Total BIG
	(dollars in millions)				
Number of risks (1)	110	17	117	244	244
Remaining weighted-average period (in years)	11.4	8.9	8.0	9.5	9.6
Outstanding exposure:					
Par	$ 2,471	$ 187	$ 3,093	$ 5,751	$ 5,727
Interest	1,604	70	1,184	2,858	2,854
Total (2)	$ 4,075	$ 257	$ 4,277	$ 8,609	$ 8,581
Expected cash outflows (inflows)	$ 77	$ 126	$ 3,133	$ 3,336	$ 3,324
Potential recoveries (3)	(374)	(81)	(2,027)	(2,482)	(2,470)
Subtotal	(297)	45	1,106	854	854
Discount	35	(14)	(184)	(163)	(163)
Expected losses to be paid (recovered)	$ (262)	$ 31	$ 922	$ 691	$ 691
Deferred premium revenue	$ 110	$ 18	$ 203	$ 331	$ 331
Reserves (salvage)	$ (294)	$ 22	$ 763	$ 491	$ 491

Financial Guaranty Insurance
BIG Transaction Loss Summary
As of December 31, 2021

	Gross				
	BIG 1	BIG 2	BIG 3	Total BIG	Net Total BIG
	(dollars in millions)				
Number of risks (1)	117	16	129	262	262
Remaining weighted-average period (in years)	7.6	8.9	8.9	8.5	8.5
Outstanding exposure:					
Par	$ 2,437	$ 177	$ 4,745	$ 7,359	$ 7,293
Interest	1,000	36	1,942	2,978	2,962
Total (2)	$ 3,437	$ 213	$ 6,687	$ 10,337	$ 10,255
Expected cash outflows (inflows)	$ 111	$ 40	$ 4,820	$ 4,971	$ 4,918
Potential recoveries (3)	(656)	(10)	(3,829)	(4,495)	(4,430)
Subtotal	(545)	30	991	476	488
Discount	19	(3)	(145)	(129)	(129)
Expected losses to be paid (recovered)	$ (526)	$ 27	$ 846	$ 347	$ 359
Deferred premium revenue	$ 85	$ 2	$ 350	$ 437	$ 435
Reserves (salvage)	$ (549)	$ 25	$ 584	$ 60	$ 74

(1) A risk represents the aggregate of the financial guaranty policies that share the same revenue source for purposes of making debt service payments.

(2) Includes amounts related to FG VIEs.

(3) Represents expected inflows from future payments by obligors pursuant to restructuring agreements, settlements, excess spread on any underlying collateral and other estimated recoveries. Potential recoveries also include recoveries on certain investment grade credits, related mainly to exposures that were previously BIG and for which claims have been paid in the past.

6. Contracts Accounted for as Credit Derivatives

The portfolio of outstanding exposures discussed in Note 3, Outstanding Exposure, and Note 4, Expected Loss to be Paid (Recovered), includes contracts that are accounted for as insurance contracts, derivatives, and FG VIEs. Amounts presented in this note relate only to contracts accounted for as derivatives. See Note 5, Contracts Accounted for as Insurance for amounts that relate to contracts accounted for as insurance and Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles, for amounts that relate to contracts that are accounted for as FG VIEs. The Company's credit derivatives (financial guaranty contracts that meet the definition of a derivative in accordance with GAAP) are primarily CDS and also include interest rate swaps.

Credit derivative transactions, including CDS, are governed by International Swaps and Derivatives Association, Inc. documentation and have certain characteristics that differ from financial guaranty insurance contracts. For example, the Company's control rights with respect to a reference obligation under a credit derivative CDS may be more limited than when the Company issues a financial guaranty insurance contract. In addition, there are more circumstances under which the Company may be obligated to make payments. Similar to a financial guaranty insurance contract, the Company would be obligated to pay if the obligor failed to make a scheduled payment of principal or interest in full. In certain credit derivative transactions, the Company also specifically agreed to pay if the obligor were to become bankrupt or if the reference obligation were restructured. Furthermore, in certain credit derivative transactions the Company may be required to make a payment due to an event that is unrelated to the performance of the obligation referenced in the credit derivative. If events of default or termination events specified in the credit derivative documentation were to occur, the non-defaulting or the non-affected party, which may be either the Company or the counterparty, depending upon the circumstances, may decide to terminate a credit derivative prior to maturity. In that case, the Company may be required to make a termination payment to its swap counterparty upon such termination. Absent such an event of default or termination event, the Company may not unilaterally terminate a CDS credit derivative contract; however, the Company on occasion has mutually agreed with various counterparties to terminate certain CDS transactions.

The components of the Company's credit derivative net par outstanding by sector are presented in the table below. The estimated remaining weighted average life of credit derivatives was 13.3 12.9 years and 13.2 years as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively.

Credit Derivatives (1)

		As of June 30, 2022		As of December 31, 2021			As of September 30, 2022		As of December 31, 2021	
Sector	Sector	Net Par Outstanding	Net Fair Value Asset (Liability)	Net Par Outstanding	Net Fair Value Asset (Liability)	Sector	Net Par Outstanding	Net Fair Value Asset (Liability)	Net Par Outstanding	Net Fair Value Asset (Liability)
		(in millions)					(in millions)			
U.S. public finance	U.S. public finance	$ 1,348	$ (80)	$ 1,705	$ (72)	U.S. public finance	$ 1,191	$ (99)	$ 1,705	$ (72)
Non-U.S. public finance	Non-U.S. public finance	1,476	(42)	1,800	(48)	Non-U.S. public finance	1,467	(67)	1,800	(48)
U.S. structured finance	U.S. structured finance	355	(22)	400	(32)	U.S. structured finance	347	(25)	400	(32)
Non-U.S. structured finance	Non-U.S. structured finance	122	(3)	135	(2)	Non-U.S. structured finance	112	(3)	135	(2)
Total	Total	$ 3,301	$ (147)	$ 4,040	$ (154)	Total	$ 3,117	$ (194)	$ 4,040	$ (154)

(1) Expected loss to be paid was $4 million and $5 million as of both June 30, 2022 September 30, 2022 and December 31, 2021.

Distribution of Credit Derivative Net Par Outstanding by Internal Rating

	As of June 30, 2022		As of December 31, 2021	
Rating Category	Net Par Outstanding	% of Total	Net Par Outstanding	% of Total
	(dollars in millions)			
AAA	$ 1,317	39.9 %	$ 1,503	37.2 %
AA	1,116	33.8	1,283	31.8
A	329	10.0	514	12.7

BBB	480	14.5	677	16.7
BIG	59	1.8	63	1.6
Credit derivative net par outstanding	$ 3,301	100.0 %	$ 4,040	100.0 %

, respectively.

Distribution of Credit Derivative Net Par Outstanding by Internal Rating

	As of September 30, 2022		As of December 31, 2021	
Rating Category	Net Par Outstanding	% of Total	Net Par Outstanding	% of Total
	(dollars in millions)			
AAA	$ 1,166	37.4 %	$ 1,503	37.2 %
AA	1,078	34.5	1,283	31.8
A	245	7.9	514	12.7
BBB	570	18.3	677	16.7
BIG	58	1.9	63	1.6
Credit derivative net par outstanding	$ 3,117	100.0 %	$ 4,040	100.0 %

Fair Value Gains (Losses) on Credit Derivatives

		Second Quarter		Six Months			Third Quarter		Nine Months	
		2022	2021	2022	2021		2022	2021	2022	2021
		(in millions)					(in millions)			
Realized gains (losses) and other settlements	Realized gains (losses) and other settlements	$ —	$ 2	$ (1)	$ 3	Realized gains (losses) and other settlements	$ (1)	$ 1	$ (2)	$ 4
Net unrealized gains (losses)	Net unrealized gains (losses)	9	(35)	7	(55)	Net unrealized gains (losses)	(47)	20	(40)	(35)
Fair value gains (losses) on credit derivatives	Fair value gains (losses) on credit derivatives	$ 9	$ (33)	$ 6	$ (52)	Fair value gains (losses) on credit derivatives	$ (48)	$ 21	$ (42)	$ (31)

During second third quarter 2022, unrealized gains losses were generated primarily as a result of the increased wider asset spreads and decreased cost to buy protection on AGC, as the market cost of AGC's credit protection increased decreased during the period, and changes in discount rates. These gains were partially offset by an increase in the credit spread of certain underlying reference obligations. period. For those CDS transactions that were pricing at or above their floor levels, when the cost of purchasing CDS protection on AGC, which management refers to as the CDS spread on AGC, increased, decreased, the implied spreads that the Company (or another comparable entity) would expect to receive on these transactions decreased. increased.

During second third quarter 2021, unrealized gains were generated primarily as a result of the termination of several CDS policies, primarily trust preferred securities transactions.

During nine months 2022, unrealized losses were generated primarily as a result of the wider asset spreads, partially offset by the increased cost to buy protection on AGC, changes in discount rates, decreases in exposures and payment of amounts related to certain structured finance exposures.

During nine months 2021, unrealized losses were generated primarily as a result of the decreased cost to buy protection on AGC, as the market cost of AGC's credit protection decreased during the period. These losses were partially offset by general price improvements of the underlying collateral.

During six months 2022, unrealized gains were generated primarily as a result of the increased cost to buy protection on AGC and changes in discount rates. These gains were partially offset by an increase in the credit spread of certain underlying reference obligations.

During six months 2021, unrealized losses were generated primarily as a result of wider implied net spreads driven by the decreased market cost to buy protection in AGC's name during the period. These losses were partially offset by general asset price improvement of the underlying collateral. collateral and the termination of certain CDS policies.

The impact of changes in credit spreads will vary based upon the volume, tenor, interest rates, and other market conditions at the time these fair values are determined. In addition, since each transaction has unique collateral and structural terms, the change in fair value of each transaction may vary considerably. The fair value of credit derivative contracts also reflects the Company's own credit cost based on the price to purchase credit protection on AGC. The Company determines its own credit risk primarily based on quoted CDS prices traded on AGC at each balance sheet date.

CDS Spread on AGC (in basis points)

		As of June 30, 2022	As of December 31, 2021	As of June 30, 2021	As of December 31, 2020		As of September 30, 2022	As of December 31, 2021	As of September 30, 2021	As of December 31, 2020
Five-year CDS spread	Five-year CDS spread	103	49	62	132	Five-year CDS spread	70	49	61	132
One-year CDS spread	One-year CDS spread	41	16	16	36	One-year CDS spread	28	16	20	36

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Fair Value of Credit Derivative Assets (Liabilities)
and Effect of AGC Credit Spread

		As of			As of	
		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
		(in millions)			(in millions)	
Fair value of credit derivatives before effect of AGC credit spread	Fair value of credit derivatives before effect of AGC credit spread	$ (223)	$ (225)	Fair value of credit derivatives before effect of AGC credit spread	$ (239)	$ (225)
Plus: Effect of AGC credit spread	Plus: Effect of AGC credit spread	76	71	Plus: Effect of AGC credit spread	45	71
Net fair value of credit derivatives	Net fair value of credit derivatives	$ (147)	$ (154)	Net fair value of credit derivatives	$ (194)	$ (154)

The fair value of CDS contracts as of June 30, 2022 September 30, 2022, before considering the benefit applicable to AGC's credit spread, is a direct result of the relatively wider credit spreads under current market conditions compared to those at the time of underwriting for certain underlying credits with longer tenor.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

7. Investments

Investment Portfolio

The investment portfolio consists of both externally and internally managed portfolios. The majority of the investment portfolio is managed by three outside managers and AssuredIM, for which the AssuredIM. The Company has established investment guidelines for its investment managers regarding credit quality, exposure to a particular sector and exposure to a particular obligor within a sector.

The internally managed portfolio primarily consists of the Company's investments in: (i) securities acquired for loss mitigation purposes; securities; (ii) securities managed under an Investment Management Agreement (IMA) with AssuredIM; (iii) new recovery bonds and CVIs received in connection with the consummation of the March Puerto Rico Resolutions and the HTA PSA and (iv) other investments including certain fixed-maturity and short-term securities, and equity method investments. Equity method investments primarily consist of generally less liquid alternative investments including: an investment in renewable and clean energy and private equity funds. The Company had unfunded commitments of $96 million $92 million as of June 30, 2022 September 30, 2022 related to certain of the Company's alternative investments other than AssuredIM Funds.

Assured Guaranty Ltd.
Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Investment Portfolio
Carrying Value

		As of			As of	
		June 30, 2022	December 31, 2021		September 30, 2022	December 31, 2021
		(in millions)			(in millions)	
Fixed-maturity securities, available-for-sale (1):	Fixed-maturity securities, available-for-sale (1):			Fixed-maturity securities, available-for-sale (1):		
Externally managed	Externally managed	$ 5,894	$ 6,843	Externally managed	$ 5,456	$ 6,843
Loss mitigation securities and other	Loss mitigation securities and other	735	818	Loss mitigation securities and other	744	818
AssuredIM managed	AssuredIM managed	526	541	AssuredIM managed	516	541
Fixed-maturity securities - Puerto Rico (2)	Fixed-maturity securities - Puerto Rico (2)	241	—	Fixed-maturity securities - Puerto Rico (2)	64	—
Fixed-maturity securities - Puerto Rico, trading (3)	Fixed-maturity securities - Puerto Rico, trading (3)	87	—	Fixed-maturity securities - Puerto Rico, trading (3)	393	—
Short-term investments (4)	Short-term investments (4)	863	1,225	Short-term investments (4)	1,177	1,225
Other invested assets:	Other invested assets:			Other invested assets:		
Equity method investments	Equity method investments	140	169	Equity method investments	120	169
Other	Other	10	12	Other	10	12
Total	Total	$ 8,496	$ 9,608	Total	$ 8,480	$ 9,608

(1) 7.4% 8.3% and 7.5% of fixed-maturity securities were rated BIG as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively, consisting primarily of loss mitigation securities. 4.1% 1.8% and 0.9% were not rated, as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively.
(2) Represents new recovery bonds received in connection with the consummation of the March Puerto Rico Resolutions. These securities are not rated.
(3) Represents CVIs received in connection with the consummation of the March Puerto Rico Resolutions. Resolutions and the HTA PSA. These securities are not rated.
(4) Weighted average credit rating of AAA as of both June 30, 2022 September 30, 2022 and December 31, 2021, based on the lower of the Moody's Investors Service, Inc. (Moody's) and S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P) classifications.

The U.S. Insurance Subsidiaries, through their jointly owned investment subsidiary, AGAS, are authorized to invest up to $750 million in AssuredIM Funds. Adding inception-to-date distributed gains, the U.S. Insurance Subsidiaries may invest a total of up to $810 million in AssuredIM Funds through AGAS. As of June 30, 2022 September 30, 2022, the U.S. Insurance Subsidiaries had total commitments to AssuredIM Funds of $757 million $755 million, of which $516 million $536 million represented net invested capital and $241 million $219 million was undrawn. This capital was committed to several funds, each dedicated to a single strategy, including CLOs, asset-based finance, healthcare structured capital and municipal bonds. As of June 30, 2022 September 30, 2022 and December 31, 2021, the fair value of AGAS' interest in AssuredIM Funds was $549 million $574 million and $543 million, respectively.

AssuredIM Funds, in which AGAS (primarily) and other subsidiaries invest, and where the Company has been deemed to be the primary beneficiary, are not reported in "investments" on the condensed consolidated balance sheets, but rather, such AssuredIM Funds are consolidated and reported in "assets of consolidated investment vehicles" and "liabilities of consolidated

investment vehicles", vehicles," with the portion not owned by AGAS and other subsidiaries presented as either redeemable or non-redeemable non-controlling interests. See Note 8, Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles.

Accrued investment income, which is recorded reported in "other assets," was $74 million $72 million as of June 30, 2022 September 30, 2022 and $69 million as of December 31, 2021. In six nine months 2022 and six nine months 2021, the Company did not write off any accrued investment income.

Notes to Condensed Consolidated Financial Statements (Unaudited), Continued

Available-for-Sale Fixed-Maturity Securities by Security Type
As of June 30, 2022 September 30, 2022

Security Type	Percent of Total (1)	Amortized Cost	Allowance for Credit Losses	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value	AOC

Security Type	Percent of Total (1)	Amortized Cost	Allowance for Credi Losses
Obligations of state and political subdivisions	45 43 %	$ 3,542 3,264	$ (14) (13
U.S. government and agencies	2	122	—
Corporate securities (3)	31 32	2,434 2,405	(4
Mortgage-backed securities (4):			
RMBS	5 6	419 432	(15) (19
Commercial mortgage-backed securities (CMBS)	4	303 291	—
Asset-backed securities:			
CLOs	6	442 445	—
Other	5 6	419 425	(18) (21
Non-U.S. government securities	2 1	122	—
Total available-for-sale fixed-maturity securities	100 %	$ 7,803 7,506	$ (51) (57

Assured Gu
Notes to Condensed Consolidated Finai

Available-for-Sale Fixed-Matur
As of Decem

Security Type	Percent of Total (1)	Amortized Cost	Allowance for Credi Losses
Obligations of state and political subdivisions	43 %	$ 3,386	$ (12
U.S. government and agencies	2	123	—
Corporate securities (3)	32	2,516	(1
Mortgage-backed securities (4):			
RMBS	6	454	(17
CMBS	4	332	—
Asset-backed securities:			
CLOs	6	457	—
Other	5	420	(12
Non-U.S. government securities	2	134	—
Total available-for-sale fixed-maturity securities	100 %	$ 7,822	$ (42

___

(1) Based on amortized cost.
(2) Ratings represent the lower of the Moody's and S&P classifications, except for loss mitigation and certai quality, liquid instruments. New recovery bonds received in connection with the consummation of the Ma
(3) Includes securities issued by taxable universities and hospitals.
(4) U.S. government-agency obligations were approximately 29% and 31% of mortgage-backed securities a
(5) Accumulated other comprehensive income (AOCI).

Gross Unrealized Lo
for Available-for-Sale Fixed-Maturity Secu
As of June 30, 2022

		Less than 12 months		12 months or more		Total	
		Fair Value	Gross Unrealized Loss	Fair Value	Gross Unrealized Loss	Fair Value	Gr Unre L
		(dollars in millions)					
Obligations of state and political subdivisions	Obligations of state and political subdivisions	$ 1,398	$ (91)	$ 16	$ (5)	$ 1,414	$
U.S. government and agencies	U.S. government and agencies	40	(1)	38	(5)	78	
Corporate securities	Corporate securities	1,510	(138)	92	(23)	1,602	
Mortgage-backed securities:	Mortgage-backed securities:						
RMBS	RMBS	149	(5)	1	—	150	
CMBS	CMBS	275	(5)	—	—	275	
Asset-backed securities:	Asset-backed securities:						
CLOs	CLOs	312	(15)	107	(6)	419	
Other	Other	22	(1)	—	—	22	
Non-U.S. government securities	Non-U.S. government securities	88	(12)	13	(5)	101	
Total	Total	$ 3,794	$ (268)	$ 267	$ (44)	$ 4,061	$
Number of securities (1)	Number of securities (1)		1,353		115		1

Gross Unrealized
for Available-for-Sale Fixed-Maturity Secu
As of Decem

	Less than 12 months	
	Fair Value	Gross Unrealized Loss
Obligations of state and political subdivisions	$ 117	$ (3)
U.S. government and agencies	26	—
Corporate securities	407	(12)
Mortgage-backed securities:		
RMBS	4	—
Asset-backed securities:		
CLOs	226	—
Non-U.S. government securities	24	(2)
Total	$ 804	$ (17)

Number of securities (1)	355

(1) The number of securities does not add across because lots consisting of the same securities have been pu more). If a security appears in both categories, it is counted only once in the total column.

Assured Gu
Notes to Condensed Consolidated Finan

The Company considered the credit quality, cash flows, interest rate movements, ability to hold a secur has determined that the unrealized losses recorded as of June 30, 2022 September 30, 2022 and December 31 interest rates. In addition, as of June 30, 2022 September 30, 2022, the Company did not intend to and was not 2022 September 30, 2022, of the securities in an unrealized loss position for which an allowance for credit loss

Assured Gu
Notes to Condensed Consolidated Finan

unrealized losses in excess of 10% of their carrying value, whereas as of December 31, 2021, 23 securities had $211 million $450 million as of June 30, 2022 September 30, 2022 and $6 million as of December 31, 2021.

The amortized cost and estimated fair value of available-for-sale fixed-maturity securities by contractua contractual maturities because borrowers may have the right to call or prepay obligations with or without call or

Distribution of Available-for-Sale Fixed-M
As of June 30, 2022

		Amortized Cost	Estimated Fair Value
		(in millions)	
Due within one year	Due within one year	$ 186	$ 184
Due after one year through five years	Due after one year through five years	1,902	1,815
Due after five years through 10 years	Due after five years through 10 years	1,739	1,656
Due after 10 years	Due after 10 years	3,254	3,074
Mortgage-backed securities:	Mortgage-backed securities:		
RMBS	RMBS	419	369
CMBS	CMBS	303	298
Total	Total	$ 7,803	$ 7,396

Based on fair value, investments and other assets that are either held in trust for the benefit of third-party cedi or otherwise pledged or restricted, totaled $217 million $211 million as of June 30, 2022 September 30, 2022 and certain AGL subsidiaries or otherwise restricted for the benefit of other AGL subsidiaries in accordance with statu fair value as of June 30, 2022 September 30, 2022 and December 31, 2021, respectively.

Income from Investment Portfolio

Net investment income is a function of the yield that the Company earns on available-for-sale fixed-matu market interest rates at the time of investment as well as the type, credit quality and maturity of the securities in t

Puerto Rico CVIs are classified as trading with changes in fair value reported in the condensed consolida earnings of its equity method investments.

Assured Gu
Notes to Condensed Consolidated Finan

Income from Inve

Second Quarter	Six Months

		2022	2021	2022	20
			(in millions)		
Investment income:	Investment income:				
Externally managed	Externally managed	$ 47	$ 52	$ 95	$
Loss mitigation securities and other	Loss mitigation securities and other	12	14	23	
Managed by AssuredIM (1)	Managed by AssuredIM (1)	5	4	9	
Investment income	Investment income	64	70	127	
Investment expenses	Investment expenses	(2)	(2)	(3)	
Net investment income	Net investment income	$ 62	$ 68	$ 124	$
Fair value gains (losses) on trading securities (2)	Fair value gains (losses) on trading securities (2)	$ (18)	$ —	$ (22)	$
Equity in earnings (losses) of investees (3)	Equity in earnings (losses) of investees (3)	$ —	$ 34	$ (11)	$

(1) Represents interest income on a portfolio of CLOs and municipal bonds managed by AssuredIM under an I

(2) Fair value losses on trading securities pertaining to securities still held as of June 30, 2022 September 30, 2
2022.

(3) Fair value gains (losses) on investments where the fair value option (FVO) was elected utilizing the net ass
2022, and $26 million $39 million in both second quarter 2021 and six nine months 2021. In addition, the

Realized Investment Gains (Losses)

The table below presents the components of net realized investment gains (losses). Realized gains and losse

Net Realized Investm

		Second Quarter		Six Months	
		2022	2021	2022	20
			(in millions)		
Gross realized gains on sales available-for-sale securities	Gross realized gains on sales available-for-sale securities	$ —	$ 1	$ —	$
Gross realized losses on sales available-for-sale securities (1)	Gross realized losses on sales available-for-sale securities (1)	(21)	—	(23)	
Net foreign currency gains (losses)	Net foreign currency gains (losses)	(3)	1	(3)	
Change in credit impairment and intent to sell	Change in credit impairment and intent to sell	(4)	—	(9)	
Other net realized gains (losses) (2)	Other net realized gains (losses) (2)	—	2	10	

Net realized investment gains (losses)	Net realized investment gains (losses)	$	(28)	$	4	$	(25)	$

(1) Second Third quarter 2022 and six nine months 2022 related primarily to sales of bonds received as part of
(2) Net realized gains in six nine months 2022 related primarily to the sale of one of the Company's alternative

The proceeds from sales of fixed-maturity securities classified as available-for-sale were $296 million $207 mil months 2022 and $226 million $222 million in six nine months 2021. There were no sales of fixed-maturity securi

Assured Gu
Notes to Condensed Consolidated Finan

The following table presents the roll forward of the credit losses on available-for-sale fixed-maturity secu

Assured Gu
Notes to Condensed Consolidated Finan

Roll Forward of Credit Losses for Avai

		Second Quarter				Six Months			
		2022		2021		2022		20	
		(in millions)							
Balance, beginning of period	Balance, beginning of period	$	47	$	81	$	42	$	
Additions for securities for which credit impairments were not previously recognized			—		—		4		
Additions (reductions) for credit losses on securities for which credit impairments were previously recognized			4		—		5		
Additions on securities for which credit impairments were not previously recognized									
Additions from purchases of securities accounted for as purchased financial assets with credit deterioration									
Additions (reductions) on securities for which credit impairments were previously recognized									
Reductions for securities sold and other settlements (1)	Reductions for securities sold and other settlements (1)		—		(42)		—		

Balance, end of period	Balance, end of period	$	51	$	39	$	51	$

(1) Primarily attributable to the sale of a security with a $42 million credit allowance in second quarter nine mor

The Company recorded credit loss expenses of $4 million, $9 million and $3 million $13 million in second million and six $1 million in third quarter 2021 and nine months 2021, respectively. During third quarter 2022, the purchased security with credit deterioration. At acquisition, this security had an unpaid principal on remaining col The Company did not purchase any securities with credit deterioration during in the periods presented. first half o securities.

8. Financial Guaranty Variable Interest Entities and Consolidated Investment Vehicles

FG VIEs

Structured Finance and Other FG VIEs

The insurance subsidiaries provide financial guaranties with respect to debt obligations of special purpos guarantee. The transaction structure generally provides certain financial protection to the insurance subsidiaries. protection (or subordination) and excess spread. In the case of overcollateralization (i.e., the principal amount of defaults of the securitized assets before a default is experienced on the structured finance obligation guaranteed policy only covers a senior layer of losses experienced by multiple obligations issued by the VIEs. The first loss e debt to other investors. In the case of excess spread, the financial assets contributed to VIEs generate interest ir distributed through the transaction's cash flow waterfall and may be used to create additional credit enhancemer equity or other investors in the transaction.

The insurance subsidiaries are not primarily liable for the debt obligations issued by the structured finance and required to make payments on those insured debt obligations in the event that the issuer of such debt obligations subsidiaries' creditors do not have any rights with regard to the collateral supporting the debt issued by the struc underlying collateral may only be used to pay debt service on structured finance and other FG VIEs' liabilities.

As part of the terms of its financial guaranty contracts, the insurance subsidiaries, under their insurance These protective rights are

triggered by the occurrence of certain events, such as failure to be in compliance with a covenant due to poor de insurance subsidiaries typically are not deemed to control the VIE; however, once a trigger event occurs, the insu direct the activities that most significantly impact the economic performance of VIEs that have debt obligations in benefits that could potentially be significant to the VIE. The insurance subsidiaries are deemed to be the control and replace the transaction's servicer or collateral manager, which are characteristics specific to the Company's have not been

Assured Gu
Notes to Condensed Consolidated Finar

triggered, then the VIE is not consolidated. If the insurance subsidiaries are deemed to no longer to have those p

The structured finance and other FG VIEs' liabilities that are guaranteed by the insurance subsidiaries a interest regardless of the performance of the related FG VIEs' assets. The structured finance and other FG VIEs the payment of principal and interest of these liabilities is wholly dependent on the performance of the FG VIEs' a

The Company has elected the FVO for all assets and all liabilities of the structured finance and other FG "fair value gains (losses) on FG VIEs" in the condensed consolidated statement of operations, except for the cha other FG VIE liabilities, which is reported in other comprehensive income (OCI). As of both June 30, 2022 Septer VIEs, respectively. During six nine months 2022, one FG VIE was consolidated and one two FG VIE was VIEs we consolidations or deconsolidations for the periods presented.

Puerto Rico Trusts

As of June 30, 2022 September 30, 2022, the Company consolidated nine six custodial trusts establishe Puerto Rico. With respect to certain insured securities covered by the GO/PBA Plan, insured bondholders were p new recovery bonds and CVIs (in aggregate, Plan Consideration) that constitute distributions under the GO/PBA insured bondholders under the custody receipts to the extent of any cash or proceeds of new securities held in th insured bonds. The Company's insurance policy continues to guarantee principal and interest coming due on the

bond interest and principal payment dates to the extent that distributions of Plan Consideration are insufficient to
the case of insured bondholders who elected to receive custody receipts, the Company retains the right to satisfy
thereafter, with 30 days' notice, by paying 100% of the then outstanding principal amount of insured bonds plus a
be the primary beneficiary given their power to collapse these trusts.

The assets within the Puerto Rico Trusts are classified as follows: new recovery bonds and certain trust
June 30, 2022), September 30, 2022) and CVIs as trading securities ($7 6 million fair value as of June 30, 2022 S
months 2022). The new recovery bonds CVIs, and trust certificates CVIs have maturity dates ranging from 2023
order to simplify the accounting for these instruments.

Investment income on the new recovery bonds, unrealized gains and losses on the CVIs and the change
(losses) on FG VIEs" on the condensed consolidated statement of operations, except for the change in fair value
and losses on the new recovery bonds and trust certificates are reported in OCI. During six nine months 2022, th
deconsolidation of three Puerto Rico Trusts resulted in a $1 million loss, which was were also reported in "fair val

Assured Gu
Notes to Condensed Consolidated Finan

Components of FG VIE Assets and Liabilities

Net fair value gains and losses on FG VIEs are expected to reverse to zero by maturity of the FG VIEs' d
guaranty insurance contract. The Company's estimate of expected loss to be paid (recovered) for FG VIEs is inc

Assured Gu
Notes to Condensed Consolidated Finan

The table below shows the carrying value of all of the consolidated FG VIEs' assets and liabilities in the
obligations for FG VIEs' liabilities.

Consolidated FG VIEs

		As of	
		June 30, 2022	December 31, 2021
		(in millions)	
FG VIEs' assets:	FG VIEs' assets:		
U.S. RMBS first lien	U.S. RMBS first lien	$ 185	$ 221
U.S. RMBS second lien	U.S. RMBS second lien	38	39
Puerto Rico securities		41	—
Puerto Rico Trusts' securities			
Total FG VIEs' assets	Total FG VIEs' assets	$ 264	$ 260
FG VIEs' liabilities with recourse:	FG VIEs' liabilities with recourse:		
U.S. RMBS first lien	U.S. RMBS first lien	$ 192	$ 227
U.S. RMBS second lien	U.S. RMBS second lien	30	42
Puerto Rico Trust liabilities		45	—
Puerto Rico Trusts' liabilities			
Total FG VIEs' liabilities with recourse	Total FG VIEs' liabilities with recourse	$ 267	$ 269
FG VIEs' liabilities without recourse:	FG VIEs' liabilities without recourse:		

U.S. RMBS first lien	U.S. RMBS first lien	$ 15	$ 20
Total FG VIEs’ liabilities without recourse	Total FG VIEs’ liabilities without recourse	$ 15	$ 20

The change in the ISCR of the FG VIEs’ assets for which the Company elected the FVO (FG VIE VIEs’ a
statements of operations for second third quarter 2022 and six nine months 2022 was a gain were gains of $1 mil
at FVO held as of June 30, 2021 was a gain September 30, 2021 were gains of $7 million $5 million and $4 millio
determined by using expected cash flows at the original date of consolidation, discounted at the effective yield, le

The inception-to-date change in fair value of the FG VIEs’ liabilities with recourse (all of which are measured a
constant for each security and isolating the effect of the change in the insurance subsidiaries’ CDS spread from t
tightens, more value will be assigned to insurance subsidiaries’ credit; however, if the insurance subsidiaries’ CD

Selected Information for FG
Measured un

		As of	
		June 30, 2022	December 31, 2021
		(in millions)	
Excess of unpaid principal over fair value of:	Excess of unpaid principal over fair value of:		
FG VIEs’ assets	FG VIEs’ assets	$ 264	$ 255
FG VIEs’ liabilities with recourse	FG VIEs’ liabilities with recourse	30	12
FG VIEs’ liabilities without recourse	FG VIEs’ liabilities without recourse	15	15
Unpaid principal balance for FG VIEs’ assets that were 90 days or more past due	Unpaid principal balance for FG VIEs’ assets that were 90 days or more past due	43	52
Unpaid principal for FG VIEs’ liabilities with recourse (1)	Unpaid principal for FG VIEs’ liabilities with recourse (1)	297	281

____

(1) FG VIEs’ liabilities with recourse will mature at various dates ranging from 2022 through 2038.

During second quarter nine months 2022, the Company recorded an out-of-period adjustment totaling $7
of-period adjustment related to the correction of the fair value of FG VIE. In six months 2022, the out-of-period ad

CIVs

CIVs consist of certain AssuredIM Funds, CLOs and CLO warehouses in which the Company is the prim
December 31, 2021. As of both dates, the Company consolidated one CIV that meets the criteria for a voting inte
that CIV.

The Company consolidates investment vehicles when it is deemed to be the primary beneficiary, based o

The assets and liabilities of the Company’s CIVs are held within separate legal entities. The assets of the
creditors of the CIVs have no recourse against the assets of the Company, other than the assets of such applica

extent of the Company's investment in the funds, subject to redemption provisions. Changes in the fair value of a
consolidated investment vehicles" in the condensed consolidated statements of operations. Interest income from

Number of Con

CIV Type	CIV Type	As of June 30, 2022	As of December 31, 2
Funds	Funds	9	8
CLOs	CLOs	10	9
CLO warehouses	CLO warehouses	2	3
Total number of consolidated CIVs (1)	Total number of consolidated CIVs (1)	21	20

(1) As of September 30, 2022 two CIVs were voting interest entities, and as of December 31, 2021 one CIV wa possesses substantially all of the economics and all of the decision-making authority.

The table below summarizes the change in the number of consolidated CIVs during each of the periods. warehouses were securitized and became CLOs.

Roll Forward of Nu

Beginning of year	
Consolidated	
Deconsolidated (1)	
June 30,	

(1) During six months 2022 the Company deconsolidated a CLO with assets and liabilities of $417 million.

Assured Gu

Notes to Condensed Consolidated Finan

Roll Forward of Nu

Beginning of year	
Consolidated	
Deconsolidated (1)	
September 30,	

(1) During nine months 2022 the Company deconsolidated a CLO with assets and liabilities of $417 million.

Assets and Lia

		As of June 30, 2022		As of December 31, 2
		(in millions)		
Assets:	**Assets:**			
Fund assets:	Fund assets:			
Cash and cash equivalents	Cash and cash equivalents	$	49	$
Fund investments, at fair value	Fund investments, at fair value			
Equity securities and warrants	Equity securities and warrants		394	2

Obligations of state and political subdivisions	Obligations of state and political subdivisions	—	1
Corporate securities	Corporate securities	90	
Structured products	Structured products	127	
Due from brokers and counterparties	Due from brokers and counterparties	6	
Other	Other	—	
CLO and CLO warehouse assets:	CLO and CLO warehouse assets:		
Cash	Cash	76	1
CLO investments:	CLO investments:		
Loans in CLOs, FVO	Loans in CLOs, FVO	4,160	3,9
Loans in CLO warehouses, FVO	Loans in CLO warehouses, FVO	233	3
Short-term investments, at fair value	Short-term investments, at fair value	230	1
Due from brokers and counterparties	Due from brokers and counterparties	91	
Total assets (1)	**Total assets (1)**	$ 5,456	$ 5,2
Liabilities:	**Liabilities:**		
CLO obligations, FVO (2)	CLO obligations, FVO (2)	3,947	3,6
Warehouse financing debt, FVO (3)	Warehouse financing debt, FVO (3)	157	1
Securities sold short, at fair value	Securities sold short, at fair value	—	
Due to brokers and counterparties	Due to brokers and counterparties	424	5
Other liabilities	Other liabilities	40	
Total liabilities	**Total liabilities**	$ 4,568	$ 4,4

(1) Includes investments in AssuredIM Funds and other affiliated entities of $358 million $394 million and $223 liabilities of a voting interest entity entities as of June 30, 2022 September 30, 2022 of $69 million and De December 31, 2021.

(2) The weighted average maturity of CLO obligations was 6.7 6.5 years as of June 30, 2022 September 30, 20 2.8% 3.9% as of June 30, 2022 September 30, 2022 and 1.8% as of December 31, 2021. CLO obligation

(3) The weighted average maturity of warehouse financing debt of CLO warehouses was 1.2 1.5 years as of Ju warehouse financing debt of CLO warehouses was 1.0% 2.6% as of June 30, 2022 September 30, 2022 2024. 2031.

The Company has an investment structure, where it invests with other co-investors in a municipal bond f another fund, referred to as a master fund. The master fund utilizes this invested capital and, in certain cases, ot investment objective is to generate attractive risk adjusted absolute returns by investing in municipal bonds, both to hedge interest rate risk.

The Company consolidates the feeder fund, a VIE. The feeder fund does not consolidate the master fun companies requires it to measure its investments (i.e., limited partnership interests) at fair value through net inco to measure the feeder's proportionate share of the net assets of the master fund. The consolidated feeder's inve included in the table above in the caption "Equity "equity securities and warrants". The master fund had gross assets of $155 mi

Noncontrolling Interest in CIVs

Noncontrolling interest in CIVs represents the proportion of the consolidated funds not owned by the Co majority of the noncontrolling interest is non-redeemable and presented on the statement of shareholders' equity

Redeemable Noncontrolli

		Second Quarter		Six Months	
		2022	2021	2022	
		(in millions)			
Beginning balance	Beginning balance	$ 21	$ 21	$ 22	$
Net income (loss) attributable to the redeemable noncontrolling interest	Net income (loss) attributable to the redeemable noncontrolling interest	—	—	(1)	
Contributions	Contributions	21	—	21	
Distributions	Distributions	(21)	—	(21)	
June 30,		$ 21	$ 21	$ 21	$
September 30,					

As of June 30, 2022 September 30, 2022, the CIVs had $481 million $442 million commitments to invest.

As of June 30, 2022 September 30, 2022 and December 31, 2021, the CIVs included derivative contract amounts of $51 million $47 million and $34 million, respectively. The fair value of derivative contracts is reported fair value is reported in "fair value gains (losses) on CIVs" in the condensed consolidated statements of operatio 2022, $8 million for six nine months 2022, and $1 million for six nine months 2021 and losses of $1 million for sec

Certain of the CIVs have entered into financing arrangements with financial institutions, generally to prov with the proceeds of the borrowing and/or the uncalled capital commitment of each respective vehicle. When a C benefit of other investment vehicles or other Assured Guaranty subsidiaries. Collateral within each investment ve other investment vehicles or other Assured Guaranty subsidiaries.

As of June 30, 2022 September 30, 2022, these credit facilities had varying maturities ranging from Sept billion. The available commitment was based on the amount of equity contributed to the warehouse which was $ under credit facilities with the interest rates ranging from 3-month Euribor Euro Interbank Offered Rate (Euribor) The CLO warehouses were in compliance with all financial covenants as of June 30, 2022 September 30, 2022.

Assured Gu
Notes to Condensed Consolidated Finan

As of June 30, 2022 September 30, 2022, a consolidated healthcare fund was a party to a credit facility (the aggregate principal amount not to exceed $110 million jointly and $71 million individually for the consolidated June 30, 2022 September 30, 2022, $18 million $62 million was drawn down by the consolidated fund under the financial covenants as of June 30, 2022 September 30, 2022.

During second quarter nine months 2022, the Company recorded an out-of-period adjustment totaling $4 of-period adjustments related to an incorrect elimination of the foreign exchange remeasurement on the portion c adjustment was $2.1 million in pre-tax income and $1.7 million in net income attributable to AGL. subsidiaries.

Assured Gu
Notes to Condensed Consolidated Finan

Other Consolidated VIEs

In certain instances where the Company consolidates a VIE that was established as part of a loss mitigation n credit derivative contract, the Company classifies the assets and liabilities of that VIE in the line items that most a liabilities. The largest of these VIEs had assets of $89 million $85 million and liabilities of $12 million $14 million a 31, 2021, primarily reported in "investments" and "credit derivative liabilities" on the condensed consolidated bala

Non-Consolidated VIEs

As described in Note 3, Outstanding Exposure, the Company monitors all policies in the insured portfolio. Of t
thousand policies are not within the scope of FASB ASC 810 because these financial guaranties relate to the de
The majority of the remaining policies involve transactions where the Company is not deemed to currently have
June 30, 2022 September 30, 2022 and December 31, 2021, the Company identified 61 63 and 69 policies, resp
assessment of these potential triggers or events, the Company consolidated 24 and 25 structured finance and o
as of June 30, 2022 September 30, 2022 the Company consolidated nine six Puerto Rico Trusts. The Company's
outstanding in Note 3, Outstanding Exposure.

The Company manages funds and CLOs that have been determined to be VIEs, in which the Company concl
does not consolidate these entities. The Company's equity interests, excluding the feeder fund's investment in t
sheets. The maximum exposure to loss is limited to the Company's investment in equity interests (which is less
future management and performance fees. See Note 10, Asset Management Fees, for earnings and receivables

9. Fair Value Measurement

The Company carries a significant portion of its assets and liabilities at fair value. Fair value is defined a
market participants at the measurement date (i.e., exit price). The price represents the price available in the prin
market that maximizes the value received for an asset or minimizes the amount paid for a liability (i.e., the most

Fair value is based on quoted market prices, where available. If listed prices or quotes are not available,
independently sourced market parameters, including but not limited to yield curves, interest rates and debt price
party's proprietary pricing models. In addition to market information, models also incorporate transaction details,
such as collateral rights as applicable.

Valuation adjustments may be made to ensure that financial instruments are recorded at fair value. Thes
constraints on liquidity. As markets and products develop and the pricing for certain products becomes more or l
changes were made to the Company's valuation models that had, or are expected to have, a material impact on
income.

The Company's methods for calculating fair value produce a fair value that may not be indicative of net r
determine fair value of certain financial instruments could result in a materially different estimate of fair value at t

Assured Gu
Notes to Condensed Consolidated Fina

The categorization within the fair value hierarchy is determined based on whether the inputs to valuation
obtained from independent sources, while unobservable inputs reflect Company estimates of market assumptio
highest and Level 3 the lowest. An asset's or liability's categorization is based on the lowest level of significant i

Level 1—Quoted prices for identical instruments in active markets. The Company generally defines an a
and have a lower bid-ask spread than an inactive market.

Level 2—Quoted prices for similar instruments in active markets; quoted prices for identical or similar ins
or yield curves and other inputs derived from or corroborated by observable market inputs.

Level 3—Model derived valuations in which one or more significant inputs or significant value drivers are
models, discounted cash flow methodologies or similar techniques and at least one significant model assumptio
value requires significant management judgment or estimation.

There was a transfer of a fixed-maturity security in the investment portfolio and securities in the FG VIE
Level 3 during the periods presented.

Carried at Fair Value

Fixed-Maturity Securities

The fair value of fixed-maturity securities is generally based on prices received from third-party pricing s
estimates of fair value using their pricing models, which take into account: benchmark yields, reported trades, br
industry and economic events and sector groupings. Additional valuation factors that can be taken into account a
market and credit information, perceived market movements, and sector news.

Benchmark yields have in many cases taken priority over reported trades for securities that trade less fr
use of each input is dependent on the asset class and the market conditions. The valuation of fixed-maturity sec

As of June 30, 2022 September 30, 2022, the Company used models to price 184 188 securities, including se
Level 3 securities were priced with the assistance of independent third parties. The pricing is based on a discou
projected prepayment speeds; severity assumptions; recovery lag assumptions; estimated default rates (determi
other features relevant to the evaluation of collateral credit quality); home price appreciation/depreciation rates b
flows is determined by reviewing various attributes of the security including collateral type, weighted average life

market data on comparable securities. Significant changes to any of these inputs could have materially changed
value of the securities.

Short-Term Investments

Short-term investments that are traded in active markets are classified within Level 1 in the fair value hie
Level 2 because these securities are typically not actively traded due to their approaching maturity and, as such,

Other Invested Assets

Other invested assets that are carried at fair value primarily include: (i) equity securities traded in active
prices; and (ii) equity method investments for which the Company elected the FVO using NAV, as a practical exp

Other Assets

Committed Capital Securities

Each of AGC and AGM have entered into put agreements with four separate custodial trusts allowing ea
securities to the trusts in exchange for cash. Each custodial trust was created for the primary purpose of issuing
AGC or AGM, as applicable.

The fair value of CCS, which is reported in other assets on the condensed consolidated balance sheets,
AGC CCS and AGM's Committed Preferred Trust Securities (the AGM CPS) agreements, and the estimated pre
in fair value of the AGC CCS and AGM CPS are reported in "fair value gains (losses) on committed capital secu
CCS is based on several factors, including AGM and AGC CDS spreads, LIBOR curve projections, the Compan
AGM CPS are classified as Level 3 in the fair value hierarchy.

Supplemental Executive Retirement Plans

The Company classifies assets included in the Company's various supplemental executive retirement plans a
the underlying mutual funds included in the plans (Level 1) or based upon the NAV of the funds if a published da
these assets is reported in "other operating expenses" in the condensed consolidated statements of operations.

Contracts Accounted for as Credit Derivatives

The Company's credit derivatives in the Insurance segment primarily consist of insured CDS contracts, a
measurement with changes in the fair value reported in the condensed consolidated statements of operations. T
unilaterally terminate a CDS contract absent an event of default or termination event that entitles the Company t
certain CDS transactions. In transactions where the counterparty does not have the right to terminate, such trans
negotiated amount, rather than at fair value.

The terms of the Company's CDS contracts differ from more standardized credit derivative contracts sol
collateral support agreements or immediate settlement provisions. In addition, the Company employs relatively h
agreements with counterparties. Management considers the non-standard terms of the Company's credit derivat

Due to the lack of quoted prices and other observable inputs for its instruments or for similar instruments
proprietary models that use both observable and unobservable market data inputs. There is no established mark
determined that the exit market for the Company's credit derivatives is a hypothetical one based on its entry mar
inputs deemed significant to the valuation model, most importantly the Company's estimate of the value of the n
affects the pricing of its transactions.

Assured Gu
Notes to Condensed Consolidated Finan

The fair value of the Company's credit derivative contracts represents the difference between the presen
that a financial guarantor of comparable credit-worthiness would hypothetically charge at the reporting date for th
notional amount of the contract, expected term, credit spreads, changes in interest rates, the credit ratings of refe
contractual premium cash flows are the most readily observable inputs since they are based on the CDS contrac
contracts, among other factors. Consistent with previous years, market conditions at June 30, 2022 September 3

Assumptions and Inputs

The various inputs and assumptions that are key to the measurement of the Company's fair value for CDS con
hedge cost, and the weighted average life which is based on debt service schedules. The Company obtains gros
tables for the collateral similar to assets within the Company's transactions), as well as collateral-specific spread
investment bank, realizes for structuring and funding the transaction; the net spread represents the premiums pa
protection purchased by the originator to hedge its counterparty credit risk exposure to the Company.

The primary sources of information used to determine gross spread include:

- Actual collateral specific credit spreads (if up-to-date and reliable market-based spreads are availabl
- Transactions priced or closed during a specific quarter within a specific asset class and specific ratin
- Credit spreads interpolated based upon market indices adjusted to reflect the non-standard terms of
- Credit spreads extrapolated based upon transactions of similar asset classes, similar ratings, and si

The rates used to discount future expected premium cash flows ranged from 2.17% 2.49% to 3.56% 4.62

The premium the Company receives is referred to as the "net spread." The Company's pricing model tak
own credit spread affects the pricing of its transactions. The Company's own credit risk is factored into the deter
the Company, as reflected by quoted market prices on CDS referencing AGC. Due to the relatively low volume a
significantly affect the fair value of these CDS contracts. The Company obtains the quoted price of CDS contract
referencing AGC affects the amount of spread on CDS transactions that the Company retains and, hence, their f
Company retains on a transaction generally decreases.

In the Company's valuation model, the premium the Company captures is not permitted to go below the
effect of mitigating the amount of unrealized gains that are recognized on certain CDS contracts. As of June 30,

Assured Gu
Notes to Condensed Consolidated Finan

the minimum premium did not have a significant effect on fair value. The percentage of transactions that price us
spreads narrow, the cost to hedge AGC's name declines and more transactions price above previously establish
more transactions to price at established floor levels. The Company corroborates the assumptions in its fair valu
periodically. The implied credit risk of AGC, indicated by the trading level of AGC's own credit spread, is a signifi
widen, the hedging cost of a bank or originator increases. Higher hedging costs reduce the amount of

Assured Gu
Notes to Condensed Consolidated Finan

contractual cash flows AGC can capture as premium for selling its protection, while lower hedging costs increase

The amount of premium a financial guaranty insurance market participant can demand is inversely relate
other assumptions remain constant. This is because the buyers of credit protection typically hedge a portion of th
do not require the posting of collateral by the guarantor. The extent of the hedge depends on the types of instrum

A credit derivative liability on protection sold is the result of contractual cash inflows on in-force transacti
as of the reporting date. If the Company were able to freely exchange these contracts (i.e., assuming its contract
representing the difference between the lower contractual premiums to which it is entitled and the current market

difference between the current net spread and the contractual net spread for the remaining duration of each con
weighted average remaining life of the contract.

Strengths and Weaknesses of Model

The Company's credit derivative valuation model, like any financial model, has certain strengths and we

The primary strengths of the Company's CDS modeling techniques are:

- The model takes into account the transaction structure and the key drivers of market value.
- The model maximizes the use of market-driven inputs whenever they are available.
- The model is a consistent approach to valuing positions.

The primary weaknesses of the Company's CDS modeling techniques are:

- There is no exit market or any actual exit transactions; therefore, the Company's exit market is a hyp
- There is a very limited market in which to validate the reasonableness of the fair values developed b
- The markets for the inputs to the model are highly illiquid, which impacts their reliability.
- Due to the non-standard terms under which the Company enters into derivative contracts, the fair va derivatives that do not contain terms and conditions similar to those observed in the financial guaran

FG VIEs' Assets and Liabilities

The Company elected the FVO for the structured finance and other FG VIEs' assets and liabilities and c an independent third party, based on a discounted cash flow approach.

For the assets in the Puerto Rico Trusts, new recovery bonds and trust certificates are classified as Leve Rico Trusts are measured under the FVO as Level 3 on the fair value hierarchy. See " - Fixed Maturity Securities Trusts, which represent the majority of the assets in the Puerto Rico Trusts.

The fair value of the residential mortgage loan FG VIEs' assets is generally sensitive to changes in estim such as: historical collateral performance, borrower profiles and other features relevant to the evaluation of colla depreciation/appreciation rates based on macroeconomic forecasts. Significant changes to some of these inputs the transaction. In general, the fair value of the FG VIEs' assets is most sensitive to changes in the projected col

Assured Gu
Notes to Condensed Consolidated Fina

the fair value of FG VIEs' assets, while a decrease in collateral losses typically leads to an increase in the fair va

The third party utilizes an internal model to determine an appropriate yield at which to discount the cash specific to the security being priced. The expected yield is further calibrated by utilizing algorithms designed to a

The models used to price the FG VIEs' liabilities (other than the liabilities of the Puerto Rico Trusts) gene Company, the benefit of the Company's insurance policy guaranteeing the timely payment of debt service is also Puerto Rico Trusts including the value of the insurance subsidiaries subsidiaries' financial guaranty policies.

Significant changes to any of the inputs described above could materially change the timing of expected Company's insurance policy guaranteeing the timely payment of principal and interest for the insured tranches o the future typically could lead to a decrease in the value of the Company's insurance and a decrease in the fair v payments by the Company typically could lead to an increase in the value of the Company's insurance and an in

The net change in the fair value of FG VIEs' assets and liabilities is reported in "fair value gains (losses) for the change in fair value of FG VIEs' liabilities with recourse caused by changes in ISCR which is separately p of the change in unrealized gains (losses) on investments in OCI. Interest income and interest expense are deriv entities". entities." The FG VIEs issued securities that are typically collateralized by first lien and second lien U.S. GO/PBA Plan.

Assets and Liabilities of CIVs

The consolidated CLOs are collateralized financing entities (CFEs), and therefore, the debt issued by, ar in CLOs are priced using a loan pricing service which aggregates quotes from loan market participants. The loan

consolidated CLOs. As a result, the less observable CLO debt is measured on the basis of the more observable
value and the debt of consolidated CLOs are measured as: (1) the sum of (i) the fair value of the financial assets
any beneficial interests retained by the Company (other than those that represent compensation for services), ar
resulting amount is allocated to the individual financial liabilities (other than the beneficial interests retained by th

Prior to securitization, when loans are warehoused in an investment vehicle, such vehicle is not conside
warehouses to mitigate the accounting mismatch between such assets and liabilities when a CLO warehouse se

Investments held by CIVs which are listed or quoted on a national securities exchange or market are val
or quoted on an exchange, but are traded over-the-counter, or are listed on an exchange which has no reported

determined by the Company, after giving consideration to third-party data generally at the average between the c
(i) performing comparisons with prices of comparable or similar investments; (ii) obtaining valuation-related infor
and information related to the investment that is an indication of value; (v) obtaining information provided by third
generally based on dealer quotes, indications of value or pricing models that consider the time value of money, tl

Assured Gu
Notes to Condensed Consolidated Finar

instruments. Inputs are used in applying the various valuation techniques and broadly refer to the current assum
include dealer price quotations, yield curves, credit curves, forward/CDS/index spreads, prepayments rates, strik
utilizing NAV.

Level 2 assets in the CIVs include assets of the consolidated CLOs and certain assets of the consolidated fun
liabilities in the CIVs include senior warehouse financing debt used to fund a CLO warehouse (measured under t
CLO debt, first loss subordinated warehouse financing and securitized borrowing. Significant changes to any of t
liabilities.

Amounts recorded at fair value in the Company's financial statements are presented in the tables below.

Assured Gu
Notes to Condensed Consolidated Finar

Fair Value Hierarchy of Finan
As of June 30, 2022

		Fair Value Hierarchy			
		Level 1	Level 2	Level 3	T
		(in millions)			
Assets:	**Assets:**				
Investments:	Investments:				
Fixed-maturity securities, available-for-sale	Fixed-maturity securities, available-for-sale				
Obligations of state and political subdivisions	Obligations of state and political subdivisions	$ —	$ 3,433	$ 51	$
U.S. government and agencies	U.S. government and agencies	—	119	—	
Corporate securities	Corporate securities	—	2,194	—	
Mortgage-backed securities:	Mortgage-backed securities:				
RMBS	RMBS	—	185	184	

CMBS	CMBS	—	298	—	
Asset-backed securities	Asset-backed securities	—	24	805	
Non-U.S. government securities	Non-U.S. government securities	—	103	—	
Total fixed-maturity securities, available-for-sale	Total fixed-maturity securities, available-for-sale	—	6,356	1,040	
Fixed-maturity securities, trading	Fixed-maturity securities, trading	—	87	—	
Short-term investments	Short-term investments	844	19	—	
Other invested assets (1)	Other invested assets (1)	2	—	5	
FG VIEs' assets	FG VIEs' assets	—	41	223	
Assets of CIVs (2):	Assets of CIVs (2):				
Fund investments:	Fund investments:				
Equity securities and warrants	Equity securities and warrants	—	7	258	
Corporate securities	Corporate securities	—	—	90	
Structured products	Structured products	—	89	38	
CLOs and CLO warehouse assets:	CLOs and CLO warehouse assets:				
Loans	Loans	—	4,393	—	
Short-term investments	Short-term investments	230	—	—	
Total assets of CIVs	Total assets of CIVs	230	4,489	386	
Other assets	Other assets	50	45	35	
Total assets carried at fair value	**Total assets carried at fair value**	$ 1,126	$ 11,037	$ 1,689	$
Liabilities:	**Liabilities:**				
Credit derivative liabilities	Credit derivative liabilities	$ —	$ —	$ 148	$
FG VIEs' liabilities (3)	FG VIEs' liabilities (3)	—	—	282	
Liabilities of CIVs:	Liabilities of CIVs:				
CLO obligations of CFEs	CLO obligations of CFEs	—	—	3,947	
Warehouse financing debt	Warehouse financing debt	—	138	19	
Securitized borrowing	Securitized borrowing	—	—	21	
Other					

Total liabilities of CIVs	Total liabilities of CIVs	—	138	3,987	
Other liabilities	Other liabilities	—	7	—	
Total liabilities carried at fair value	**Total liabilities carried at fair value**	$ —	$ 145	$ 4,417	$

Assured Gu

Notes to Condensed Consolidated Finan

Fair Value Hierarchy of Financial

As of Decem

Assets:	
Investments:	
Fixed-maturity securities, available-for sale	
Obligations of state and political subdivisions	$
U.S. government and agencies	
Corporate securities	
Mortgage-backed securities:	
RMBS	
CMBS	
Asset-backed securities	
Non-U.S. government securities	
Total fixed-maturity securities, available-for-sale	
Short-term investments	
Other invested assets (1)	
FG VIEs' assets	
Assets of CIVs (2):	
Fund investments:	
Equity securities and warrants	
Obligations of state and political subdivisions	
Corporate securities	
Structured products	
CLOs and CLO warehouse assets:	
Loans	
Short-term investments	
Total assets of CIVs	
Other assets	
Total assets carried at fair value	$
Liabilities:	
Credit derivative liabilities	$
FG VIEs' liabilities (3)	
Liabilities of CIVs:	
CLO obligations of CFEs	
Warehouse financing debt	
Securities sold short	
Securitized borrowing	
Total liabilities of CIVs	
Other liabilities	

Total liabilities carried at fair value $

(1) Includes Level 3 mortgage loans that are recorded at fair value on a non-recurring basis. Excludes $16 $17 million and June 30, 2022 September 30, 2022 and December 31, 2021, respectively.

Assured Gu
Notes to Condensed Consolidated Finan

(2) Excludes $5 million and $6 million as of June 30, 2022 both September 30, 2022 and December 31, 2021, respectively, these funds results in a gross up of assets and noncontrolling interest on the consolidated financial statements; how

Assured Gu
Notes to Condensed Consolidated Finan

to AGL. As of June 30, 2022 September 30, 2022, excludes a $124 $125 million investment in the AssuredIM munic

(3) Includes FG VIEs' liabilities with recourse and FG VIEs' liabilities without recourse. See Note 8, Financial Guaranty Vari

Changes in Level 3 Fair Value Measurements

The tables below present a roll forward of the Company's Level 3 financial instruments carried at fair val six nine months 2021.

Roll Forward of Level 3 Assets a
Second Third

		Fixed-Maturity Securities, Available-for-Sale				Assets of CIVs		
		Obligations of State and Political Subdivisions	RMBS	Asset-Backed Securities	FG VIEs' Assets	Equity Securities and Warrants	Corporate Securities	Structured Products
					(in millions)			
Fair value as of March 31, 2022		$ 70	$ 200	$ 842	$ 267	$ 243	$ 83	$ —
Fair value as of June 30, 2022								
Total pre-tax realized and unrealized gains (losses) recorded in:	Total pre-tax realized and unrealized gains (losses) recorded in:							
Net income (loss)	Net income (loss)	(1) (1)	6 (1)	(3) (1)	1 (2)	16 (4)	7 (4)	(3) (
Other comprehensive income (loss)	Other comprehensive income (loss)	(3)	(11)	(30)	—	—	—	—
Purchases	Purchases	—	—	10	—	5	—	42
Sales	Sales	—	—	(9)	—	(6)	—	(21)
Settlements	Settlements	(14)	(11)	(5)	(26)	—	—	—
Deconsolidations		—	—	—	(15)	—	—	20
Transfers out of Level 3		(1)	—	—	(4)	—	—	—
Fair value as of June 30, 2022		$ 51	$ 184	$ 805	$ 223	$ 258	$ 90	$ 38
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2022 included in:								
Fair value as of September 30, 2022								

Change in unrealized gains (losses) related to financial instruments held as of September 30, 2022 included in:							
Earnings	Earnings				$ 2 (2)	$ 10 (4)	$ 7 (4)	$ (3) (
OCI	OCI	$ (4)	$ (10)	$ (29)				

Roll Forward of Level 3 Liabilities
Second Qu

Fair value as of March 31, 2022	
Total pre-tax realized and unrealized gains (losses) recorded in:	
Net income (loss)	
Other comprehensive income (loss)	
Issuances	
Settlements	
Deconsolidations	
Fair value as of June 30, 2022	
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2022 included in:	
Earnings	
OCI	

Assured Gu
Notes to Condensed Consolidated Finan

Roll Forward of Level 3 Assets Liabilit
Second Third Q

		Fixed-Maturity Securities, Available-for-Sale				
		Obligations of State and Political Subdivisions	Corporate Securities	RMBS	Asset-Backed Securities	FG V As
					(in millions)	
Fair value as of March 31, 2021		$ 103	$ 28	$ 246	$ 941	$
Fair value as of June 30, 2022						
Total pre-tax realized and unrealized gains (losses) recorded in:	Total pre-tax realized and unrealized gains (losses) recorded in:					
Net income (loss)	Net income (loss)	2 (1)	—	5 (1)	5 (1)	

Other comprehensive income (loss)	Other comprehensive income (loss)	6		20	9	1	
Purchases		—		—	—	117	
Issuances							
Sales	Sales	—		(48)	—	(38)	
Settlements	Settlements	(1)		—	(12)	(51)	
Fair value as of June 30, 2021		$ 110		$ —	$ 248	$ 975	$
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2021included in:							
Consolidations							
Fair value as of September 30, 2022							
Change in unrealized gains (losses) related to financial instruments held as of September 30, 2022 included in:							
Earnings	Earnings						$
OCI	OCI	$ 6		$ —	$ 9	$ 3	

Roll Forward of Level 3 Assets a
Second Third

		Credit Derivative Asset (Liability), net (5)		FG VIEs' Liabilities (8)		Liabilities of CIVs		
				(in millions)				
Fair value as of March 31, 2021		$ (120)		$ (318)		$ (1,973)		
Fair value as of June 30, 2021								Fair value as June 30, 202
Total pre-tax realized and unrealized gains (losses) recorded in:	Total pre-tax realized and unrealized gains (losses) recorded in:							Total pre-tax realized and unrealized ga (losses) recor in:
Net income (loss)	Net income (loss)	(33)	(6)	(10)	(2)	(8)	(4)	Net income
Other comprehensive income (loss)	Other comprehensive income (loss)	—		(2)		—		Other comprehens income (los
Issuances		—		—		(406)		
Purchases								Purchases
Sales								Sales
Settlements	Settlements	(1)		10		2		Settlements
Fair value as of June 30, 2021		$ (154)		$ (320)		$ (2,385)		
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2021 included in:								

Fair value as of September 30, 2021						Fair value as September 30, 2021
Change in unrealized gains (losses) related to financial instruments held as of September 30, 2021included in:						Change in unrealized ga (losses) relate financial instruments h as of Septem 30, 2021inclu in:
Earnings	Earnings	$ (35) (6)	$ (11) (2)	$ (2) (4)		Earnings
OCI	OCI		$ (2)			OCI

Assured Gu
Notes to Condensed Consolidated Finan

Roll Forward of Level 3 Assets a
Six Months 2022T

	Fixed-Maturity Securities, Available-for-Sale		
	Obligations of State and Political Subdivisions	RMBS	Asset-Backed Securities
Fair value as of December 31, 2021	$ 72	$ 216	$ 863
Total pre-tax realized and unrealized gains (losses) recorded in:			
Net income (loss)	—	10 (1)	—
Other comprehensive income (loss)	(8)	(19)	(37)
Purchases	—	—	35
Sales	—	—	(12)
Settlements	(13)	(23)	(44)
Consolidations	—	—	—
Deconsolidations	—	—	—
Fair value as of June 30, 2022	$ 51	$ 184	$ 805
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2022 included in:			
Earnings			
OCI	$ (10)	$ (17)	$ (36)

Fair value as of June 30, 2021
Total pre-tax realized and unrealized gains (losses) recorded in:
Net income (loss)
Other comprehensive income (loss)
Issuances
Settlements
Fair value as of September 30, 2021
Change in unrealized gains (losses) related to financial instruments held as of September 30, 2021 included in:
Earnings
OCI

Roll Forward of Level 3 Liabilities Ass

Six Nine M

		Credit Derivative Asset (Liability), net (5)		FG VIEs' Liabilities (8)		Liabili
				(in millions)		
Fair value as of December 31, 2021	Fair value as of December 31, 2021	$ (154)		$ (289)		$
Total pre-tax realized and unrealized gains (losses) recorded in:	Total pre-tax realized and unrealized gains (losses) recorded in:					
Net income (loss)	Net income (loss)	6	(6)	26	(2)	
Other comprehensive income (loss)	Other comprehensive income (loss)	—		3		
Issuances		—		—		
Purchases						
Sales						
Settlements	Settlements	1		65		
Consolidations	Consolidations	—		(102)		
Deconsolidations	Deconsolidations	—		15		
Fair value as of June 30, 2022		$ (147)		$ (282)		$
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2022 included in:						
Fair value as of September 30, 2022						
Change in unrealized gains (losses) related to financial instruments held as of September 30, 2022 included in:						
Earnings	Earnings	$ 5	(6)	$ 49	(2)	$
OCI	OCI			$ 3		$

Assured Gu

Notes to Condensed Consolidated Finan

Roll Forward of Level 3 Liabilities

Nine Mor

Fair value as of December 31, 2021	
Total pre-tax realized and unrealized gains (losses) recorded in:	
Net income (loss)	
Other comprehensive income (loss)	

Issuances

Sales

Settlements

Consolidations

Deconsolidations

Fair value as of September 30, 2022

Change in unrealized gains (losses) related to financial instruments held as of September 30, 2022 included in:

Earnings

OCI

Roll Forward of Level 3 Assets a

Six Nine M

		Fixed-Maturity Securities, Available-for-Sale					
		Obligations of State and Political Subdivisions	Corporate Securities	RMBS	Asset-Backed Securities	FG VIEs' Assets	Assets of CIVs - Equity Securities
		(in millions)					
Fair value as of December 31, 2020	Fair value as of December 31, 2020	$ 101	$ 30	$ 255	$ 940	$ 296	$ 2
Total pre-tax realized and unrealized gains (losses) recorded in:	Total pre-tax realized and unrealized gains (losses) recorded in:						
Net income (loss)	Net income (loss)	3 (1)	2 (1)	7 (1)	11 (1)	18 (2)	4 (4)
Other comprehensive income (loss)	Other comprehensive income (loss)	8	16	9	6	—	—
Purchases	Purchases	—	—	—	211	—	22
Sales	Sales	—	(48)	—	(80)	—	(27)
Settlements	Settlements	(2)	—	(23)	(113)	(27)	—
Fair value as of June 30, 2021		$ 110	$ —	$ 248	$ 975	$ 287	$ 1
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2021 included in:							
Fair value as of September 30, 2021							
Change in unrealized gains (losses) related to financial instruments held as of September 30, 2021 included in:							
Earnings	Earnings					$ 18 (2)	$ 3 (4)
OCI	OCI	$ 8	$ —	$ 9	$ 8		

Assured Gu

Notes to Condensed Consolidated Finai

Roll Forward of Level 3 Liabilities

Six Nine M

		Credit Derivative Asset (Liability), net (5)		FG VIEs' (8)		Liabilities of C
				(in millions)		
Fair value as of December 31, 2020	Fair value as of December 31, 2020	$ (100)		$ (333)		$ (1,227
Total pre-tax realized and unrealized gains (losses) recorded in:	Total pre-tax realized and unrealized gains (losses) recorded in:					
Net income (loss)	Net income (loss)	(52)	(6)	(7)	(2)	(2
Other comprehensive income (loss)	Other comprehensive income (loss)	—		(3)		—
Issuances	Issuances	—		—		(1,158
Settlements	Settlements	(2)		23		2
Fair value as of June 30, 2021		$ (154)		$ (320)		$ (2,385
Change in unrealized gains (losses) related to financial instruments held as of June 30, 2021 included in:						
Fair value as of September 30, 2021						
Change in unrealized gains (losses) related to financial instruments held as of September 30, 2021 included in:						
Earnings	Earnings	$ (55)	(6)	$ (6)	(2)	$ 4
OCI	OCI			$ (3)		

(1) Included in "net realized investment gains (losses)" and "net investment income".
(2) Included in "fair value gains (losses) on FG VIEs".
(3) Reported in "fair value gains (losses) on CCS", "net investment income" and "other income" income (loss
(4) Reported in "fair value gains (losses) on CIVs".
(5) Represents the net position of credit derivatives. Credit derivative assets (reported in "other assets") and condensed consolidated balance sheets based on net exposure by transaction.
(6) Reported in "fair value gains (losses) on credit derivatives".
(7) Includes CCS and other invested assets.
(8) Includes FG VIEs' liabilities with recourse and FG VIEs' liabilities without recourse.

Level 3 Fair Value Disclosures

Quantitative Information Ab
As of June 30, 2022

Financial Instrument Description	Financial Instrument Description	Fair Value (in millions)	Significant Unobservable Inputs	Range
Assets (2):	**Assets (2):**			
Fixed-maturity securities, available-for-sale (1):	Fixed-maturity securities, available-for-sale (1):			
Obligations of state and political subdivisions	Obligations of state and political subdivisions	$ 51	Yield	6.9 % - 32.
RMBS	RMBS	184	CPR	0.0 % - 22.

			CDR	1.5 %	-	12.0%
			Loss severity	50.0 %	-	125.0%
			Yield	4.6 %	-	7.6%
Asset-backed securities:	Asset-backed securities:					
Life insurance transactions	Life insurance transactions	357	Yield			8.8%
CLOs	CLOs	420	Discount Margin	1.8 %	-	4.0
Others	Others	28	Yield	6.4 %	-	13.7
FG VIEs' assets (1)	FG VIEs' assets (1)	223	CPR	0.9 %	-	25.9
			CDR	1.0 %	-	41.0%
			Loss severity	45.0 %	-	100.0%
			Yield	2.9 %	-	8.8%
Assets of CIVs (3):	Assets of CIVs (3):					
Equity securities and warrants	Equity securities and warrants	258	Yield			8.8%
			Discount rate	19.8 %	-	24.3
			Market multiple-enterprise value/revenue	1.00x	-	1.10
			Market multiple-enterprise value/EBITDA (6)	3.00x	-	12.0
			Market multiple-price to book	1.30x	-	1.65
			Market multiple-price to earnings			6.00x
			Terminal growth rate			4.0%
			Cost			1.0x
Corporate securities	Corporate securities	90	Discount rate	20.8 %	-	23.9
			Yield			16.3%
			Cost			1.00x
			Market multiple-enterprise value/EBITDA	3.00x	-	8.00
Structured products	Structured products	38	Yield	11.0 %	-	27.4
Other assets (1)	Other assets (1)	34	Implied Yield	4.7 %	-	5.4
			Term (years)		10 years	

Financial Instrument Description	Financial Instrument Description	Fair Value (in millions)	Significant Unobservable Inputs	Range			A
Liabilities (1):	**Liabilities (1):**						
Credit derivative liabilities, net		$ (147)	Year 1 loss estimates	0.0 %	-	92.5%	

			Hedge cost (in bps)	17.9 -	41.4	25.6
			Bank profit (in bps)	53.7 -	292.6	102.9
			Internal credit rating	AAA -	CCC	AA
FG VIEs' liabilities	FG VIEs' liabilities	(282)	CPR	0.9 %	-	25.9%
			CDR	1.0 % -	41.0%	7.0%
			Loss severity	45.0 % -	100.0%	75.6%
			Yield	1.5 % -	8.8%	5.2%
Liabilities of CIVs:	Liabilities of CIVs:					
CLO obligations of CFEs (5)	CLO obligations of CFEs (5)	(3,947)	Yield	1.6 %	-	24.1%
Warehouse financing debt	Warehouse financing debt	(19)	Yield		16.0%	
Securitized borrowing	Securitized borrowing	(21)	Discount rate		24.3%	
			Market multiple-enterprise value/EBITDA	10.00x	-	11.00x

(1) Discounted cash flow is used as the primary valuation technique.
(2) Excludes several investments recorded in "other invested assets" with a fair value of $5 million.
(3) The primary valuation technique uses the income and/or market approach; the key inputs to the valuation a
(4) Weighted average is calculated as a percentage of current par outstanding for all categories except for ass
(5) See CFE fair value methodology described above for consolidated CLOs.
(6) Earnings before interest, taxes, depreciation, and amortization (EBITDA).

Assured Gu
Notes to Condensed Consolidated Finan

Quantitative Information Ab
As of Decem

Financial Instrument Description	Financial Instrument Description	Fair Value (in millions)	Significant Unobservable Inputs	Range		
Assets (2):	**Assets (2):**					
Fixed-maturity securities, available-for-sale (1):	Fixed-maturity securities, available-for-sale (1):					
Obligations of state and political subdivisions	Obligations of state and political subdivisions	$ 72	Yield	4.4 %	-	24.5
RMBS	RMBS	216	CPR	0.0 %	-	22.7
			CDR	1.4 %	-	12.0%
			Loss severity	50.0 %	-	125.0%
			Yield	3.8 %	-	5.6%

Asset-backed securities:	Asset-backed securities:					
Life insurance transactions	Life insurance transactions	367	Yield			5.0%
CLOs	CLOs	458	Discount margin	0.0 %	-	2.9%
Others	Others	38	Yield	3.2 %	-	7.9%
FG VIEs’ assets (1)	FG VIEs’ assets (1)	260	CPR	0.9 %	-	24.5
			CDR	1.4 %	-	26.9%
			Loss severity	45.0 %	-	100.0%
			Yield	1.4 %	-	8.0%
Assets of CIVs (3):	Assets of CIVs (3):					
Equity securities and warrants	Equity securities and warrants	239	Yield			7.7%
			Discount rate	14.7 %	-	23.9
			Market multiple-enterprise value/revenue			1.10x
			Market multiple-enterprise value/EBITDA	3.00x		10.5
			Market multiple-price to book			1.85x
Corporate securities	Corporate securities	91	Discount rate	14.7 %	-	21.4
			Yield			16.4%
Other assets (1)	Other assets (1)	23	Implied Yield	2.7 %	-	3.3%
			Term (years)			10 years
Liabilities (1):	**Liabilities (1):**					
Credit derivative liabilities, net	Credit derivative liabilities, net	(154)	Year 1 loss estimates	0.0 %	-	85.8
			Hedge cost (in bps)	8.0	-	37.1
			Bank profit (in bps)	0.0	-	187.8
			Internal floor (in bps)	8.8		
			Internal credit rating	AAA	-	CCC
FG VIEs’ liabilities	FG VIEs’ liabilities	(289)	CPR	0.9 %	-	24.5
			CDR	1.4 %	-	26.9%
			Loss severity	45.0 %	-	100.0%
			Yield	1.4 %	-	8.0%
Liabilities of CIVs:	Liabilities of CIVs:					
CLO obligations of CFEs (5)	CLO obligations of CFEs (5)	(3,665)	Yield	1.6 %	-	13.7
Warehouse financing debt	Warehouse financing debt	(23)	Yield	12.6 %	-	16.0

Securitized borrowing	Securitized borrowing	(17)	Discount rate	23.9%
			Market multiple-enterprise value/revenue	10.50x

(1) Discounted cash flow is used as the primary valuation technique.
(2) Excludes several investments reported in "other invested assets" with a fair value of $6 million.
(3) The primary valuation technique uses the income and/or market approach, the key inputs to the valuation are yield/disc
(4) Weighted average is calculated as a percentage of current par outstanding for all categories except for assets of CIVs, f
(5) See CFE fair value methodology described above for consolidated CLOs.

Not Carried at Fair Value

Financial Guaranty Insurance Contracts

Fair value is based on management's estimate of what a similarly rated financial guaranty insurance company a variety of factors that may include pricing assumptions management has observed for portfolio transfers, comm for stressed losses, ceding commissions and return on capital. The Company classified the fair value of financial

Long-Term Debt

Long-term debt issued by the U.S. Holding Companies is valued by broker-dealers using third party third hierarchy. The market conventions utilize market quotations, market transactions for the Company's comparable

Assets and Liabilities of CIVs

Cash equivalents are recorded at cost which approximates fair value. Due from/to brokers and counterpa counterparties and the net amounts receivable/payable for securities transactions that had not settled at the bala basis on the condensed consolidated balance sheets where a contractual right of offset exists under an enforcea derivative contracts; its use is therefore restricted until the securities are purchased or the derivative contracts ar hierarchy.

Other Liabilities

Other liabilities in the table below include $34 million $32 million and $37 million as of June 30, 2022 Sep agreement to finance AssuredIM's purchase of 5% of the senior and equity notes issued by certain BlueMountain are in 2034 and 2035. AssuredIM's obligation under the master repurchase agreement is not guaranteed by any

Assured Gu
Notes to Condensed Consolidated Finan

The carrying amount and estimated fair value of the Company's financial instruments not carried at fair v

Assured Gu
Notes to Condensed Consolidated Finan

Fair Value of Financial Inst

		As of June 30, 2022		As of December 31, 2021	
		Carrying Amount	Estimated Fair Value	Carrying Amount	Estim Fair V
		(in millions)			
Assets (liabilities):	**Assets (liabilities):**				
Assets of CIVs (1)	Assets of CIVs (1)	$ 118	$ 118	$ 171	$

Other assets (including other invested assets) (2)	Other assets (including other invested assets) (2)	102	103	134	
Financial guaranty insurance contracts (3)	Financial guaranty insurance contracts (3)	(2,537)	(1,595)	(2,394)	(2
Long-term debt	Long-term debt	(1,674)	(1,539)	(1,673)	(1
Liabilities of CIVs (4)	Liabilities of CIVs (4)	(442)	(442)	(586)	
Other liabilities (5)	Other liabilities (5)	(48)	(50)	(45)	

(1) Includes due from brokers and counterparties and cash equivalents. Carrying value approximates fair value
(2) Primarily includes accrued interest, receivable for an unsettled sale of a portion of the Puerto Rico salvage
carrying value approximates fair value.
(3) Carrying amount includes the assets and liabilities related to financial guaranty insurance contract premium
(4) Includes due to brokers and counterparties and fund's loan payable. Carrying value approximates fair value
(5) Includes Primarily includes accrued interest, repurchase agreement liability and payables for securities purc

10. Asset Management Fees

The following table presents the sources of asset management fees on a consolidated basis.

	Asset Manag
	2
Management fees:	
CLOs (1)	$
Opportunity funds and liquid strategies	
Wind-down funds	
Total management fees	
Performance fees	
Reimbursable fund expenses	
Total asset management fees	$

(1) To the extent that the Company's wind-down and/or opportunity funds are invested in AssuredIM managed
management fees from CLOs, before rebates, were $8 million, $11 million, $17 million and $25 million fo

Management fees:	
CLOs	$
Opportunity funds and liquid strategies	
Wind-down funds	
Total management fees	
Performance fees	
Reimbursable fund expenses	
Total asset management fees	$

The Company had management and performance fees receivable, which are included in other assets on the c
$8 million as of December 31, 2021. Performance fees in six nine months 2022 were attributable to the healthcar

Assured Gu

11. Long-Term Debt and Credit Facilities

On May 26, 2021, AGUS issued $500 million of 3.15% Senior Notes due 2031 (3.15% Senior Notes) for 2051 (3.6% Senior Notes) for net proceeds of $395 million. On July 9, 2021, a portion of the proceeds from the is AGMH debt as follows: all $100 million of AGMH's debt maturing 6 7/8% Quarterly Interest Bonds due in 2101, a the proceeds from the issuance of the 3.6% Senior Notes were used to redeem $400 million of AGMH and AGU AGMH 6.25% Notes due in 2102, and $170 million of the $500 million of AGUS 5% Senior Notes due in 2024. In of approximately $175 million on a pre-tax basis ($138 million after-tax) which represents the difference between primarily consisted of a $156 million acceleration of unamortized fair value adjustments that were originally recor being used for general corporate purposes, including share repurchases. See the condensed consolidated state

$170 million of AGUS 5% Senior Notes.

On February 3, 2022, the Company entered into a secured short-term loan facility with a major financial exposures. See Note 3, Outstanding Exposure. The short-term loan facility permitted the Company to borrow up million under the thirty days portion of this facility on March 14, 2022, and repaid it in full, with interest, on March component bore interest at 1.10% per annum. The ability of the Company to borrow under the facility has expire

12. Income Taxes

Overview

AGL and its Bermuda subsidiaries AG Re, AGRO, and Cedar Personnel Ltd. (collectively, the Bermuda Company has received an assurance from the Minister of Finance in Bermuda that, in the event of any taxes bei AGL's U.S., U.K. and French subsidiaries are subject to income taxes imposed by U.S., U.K. and French authori under Section 953(d) of the U.S. Internal Revenue Code (the Code) to be taxed as a U.S. domestic corporation.

AGL is a tax resident in the U.K. although it remains a Bermuda-based company and its administrative a

AGUS files a consolidated federal income tax return with all of its U.S. subsidiaries. Assured Guaranty C federal income tax return.

On August 16, 2022, the U.S. enacted the Inflation Reduction Act of 2022 (the IRA), which, among other stock repurchases that occur after December 31, 2022, and several tax incentives to promote clean energy. Curr material impact on our consolidated financial statements.

Tax Assets (Liabilities)

Deferred and Current Ta

		As of	
		June 30, 2022	December 31, 2021
		(in millions)	
Net deferred tax assets (liabilities)	Net deferred tax assets (liabilities)	$ 110	$ (33)
Net current tax assets (liabilities)	Net current tax assets (liabilities)	19	(43)

(1) Included in "other assets" or "other liabilities" on the condensed consolidated balance sheets.

Valuation Allowance

As of June 30, 2022, and December 31, 2021, During third quarter 2022, the Company had $24 million re thereby reducing the Company's foreign tax credits (FTC) due from $24 million as of December 31, 2021 to $5 m against regular tax in future years. FTCs years, and will expire in 2027. In analyzing the future realizability of FTC evidence. After reviewing positive and negative evidence, the Company came to the conclusion that it is more lik valuation allowance from December 31, 2021 with respect to this tax attribute. attribute, resulting in a decrease in

The Company came to the conclusion that it is more likely than not that the remaining deferred tax asset
positive evidence that was considered included the cumulative income the Company has earned over the last th
outweighs any negative evidence that exists. As such, the Company believes that no valuation allowance is nec
a valuation allowance on a quarterly basis.

Assured Gu
Notes to Condensed Consolidated Fina

Provision for Income Taxes

The Company’s provision for income taxes for interim financial periods is not based on an estimated annual e
foreign exchange gains and losses which prevents the Company from projecting a reliable estimated annual effe
each interim period.

The effective tax rates reflect the proportion of income recognized by each of the Company’s operating subsid
taxed at the U.K. marginal corporate tax rate of 19%, the French subsidiary taxed at the French marginal corpor
unless subject to U.S. tax by election. The Company’s overall effective tax rate fluctuates based on the distributi

Assured Gu
Notes to Condensed Consolidated Fina

A reconciliation of the difference between the provision for income taxes and the expected tax provision at sta

Effective Tax Rat

		Second Quarter		Six Months	
		2022	2021	2022	20
		(in millions)			
Expected tax provision (benefit)	Expected tax provision (benefit)	$ (2)	$ 23	$ 12	$
Tax-exempt interest	Tax-exempt interest	(4)	(4)	(7)	
Noncontrolling interest	Noncontrolling interest	(5)	(1)	(6)	
Return to provision adjustment					
State taxes	State taxes	4	4	8	
Foreign taxes	Foreign taxes	9	—	10	
Taxes on reinsurance					
Stock based compensation	Stock based compensation	2	—	4	
Other	Other	(1)	1	—	
Total provision (benefit) for income taxes	Total provision (benefit) for income taxes	$ 3	$ 23	$ 21	$
Effective tax rate	Effective tax rate	(12.9) %	18.5 %	30.3 %	16

The expected tax provision (benefit) is calculated as the sum of pre-tax income in each jurisdiction multi
jurisdiction and pre-tax income in another, the total combined expected tax rate may be higher or lower than any

The following tables present pre-tax income and revenue by jurisdiction.

Pre-tax Income (Los

	Second Quarter	Six Months

		2022		2021		2022		202	
				(in millions)					
U.S.	U.S.	$	25	$	106	$	109	$	1
Bermuda	Bermuda		(10)		16		17		
U.K.	U.K.		(31)		3		(45)		
Other	Other		(6)		—		(10)		
Total	Total	$	(22)	$	125	$	71	$	1

Assured Gu
Notes to Condensed Consolidated Finan

Revenue by Ta

		Second Quarter				Six Months			
		2022		2021		2022		202	
				(in millions)					
U.S.	U.S.	$	106	$	150	$	375	$	
Bermuda	Bermuda		6		28		39		
U.K.	U.K.		(18)		17		(18)		
Other	Other		(4)		1		(6)		
Total	Total	$	90	$	196	$	390	$	

Pre-tax income by jurisdiction may be disproportionate to revenue by jurisdiction to the extent that insura

Assured Gu
Notes to Condensed Consolidated Finan

Audits

As of June 30, 2022 September 30, 2022, AGUS and Assured Guaranty Overseas US Holdings Inc. had audit for the 2018 and 2019 tax years. In July September 2022, Her Majesty's Majesty's Revenue & Customs cor assigned a low-risk rating for corporate taxes. The Company's French subsidiary is not currently under examinat

13. Commitments and Contingencies

Legal Proceedings

Lawsuits arise in the ordinary course of the Company's business. It is the opinion of the Company's managem individually or in the aggregate, will not have a material adverse effect on the Company's financial position or liqu material adverse effect on the Company's results of operations in a particular quarter or year.

In addition, in the ordinary course of their respective businesses, certain of AGL's insurance subsidiaries are in in the future. For example, the Company is involved in a number of legal actions in the Federal District Court for its related authorities and public corporations. See "Exposure to Puerto Rico" section of Note 3, Outstanding Exp investment management subsidiaries are involved in litigation with third parties regarding fees, appraisals, or por receives and losses it pays in the future is uncertain, and the impact of any one or more of these proceedings du year.

The Company also receives subpoenas and interrogatories from regulators from time to time.

Litigation

On November 28, 2011, Lehman Brothers International (Europe) (in administration) (LBIE) sued AG Financial under CDS. AGC acts as the credit support provider of AGFP under these CDS. LBIE's complaint, which was file implied covenant of good faith and fair dealing based on AGFP's termination in December 2008 of nine credit de implied covenant of good faith and fair dealing based on AGFP's termination in July 2008 of 28 other credit deriv with those 28 other credit derivative transactions. Following defaults by LBIE, AGFP properly terminated the tran payment properly. AGFP has calculated that LBIE owes AGFP approximately $4 million for the claims which wer transactions, whereas

LBIE asserted in the complaint that AGFP owes LBIE a termination payment of approximately $1.4 billion. AGFP
March 15, 2013, the court granted AGFP’s motion to dismiss in respect of the count relating to the nine credit de
LBIE’s administrators disclosed in an April 10, 2015 report to LBIE’s unsecured creditors that LBIE’s valuation ex
of approximately $200 million and a maximum of approximately $500 million, depending on what adjustment, if a
onwards. AGFP filed a motion for summary judgment on the remaining causes of action asserted by LBIE and o
court dismissed, in its entirety, LBIE’s remaining claim for breach of the implied covenant of good faith and fair de
conduct in connection with the auction. With respect to LBIE’s claim for breach of contract, the court held that the
October 1, 2018, AGFP filed an appeal with the Appellate Division of the Supreme Court of the State of New Yor

Assured Gu
Notes to Condensed Consolidated Finan

lower court’s ruling denying AGFP’s motion for summary judgment with respect to LBIE’s sole remaining claim fo
holding that the lower court correctly determined that there are triable issues of fact regarding whether AGFP cal
York Supreme Court from October 18 through November 19, 2021. Post-trial briefing was completed on June 21

14. Shareholders’ Equity

Other Comprehensive Income

The following tables present the changes in each component of AOCI and the effect of reclassifications o

Changes in Accumulated Other Co
Second Third

		Net Unrealized Gains (Losses) on Investments with: No Credit Impairment	Net Unrealized Gains (Losses) on Investments with: Credit Impairment	ISCR on FG VIEs’ Liabilities with Recourse	Cumulative Translation Adjustment	No Credit Impairment / Cash Flow Hedge
			(in millions)			
Balance, March 31, 2022		$ 37	$ (63)	$ (21)	$ (37)	$ 6
Balance, June 30, 2022						
Other comprehensive income (loss) before reclassifications	Other comprehensive income (loss) before reclassifications	(261)	(48)	2	(8)	—
Less: Amounts reclassified from AOCI to:	Less: Amounts reclassified from AOCI to:					
Net realized investment gains (losses)	Net realized investment gains (losses)	(23)	(5)	—	—	—
Fair value gains (losses) on FG VIEs	Fair value gains (losses) on FG VIEs	—	—	(1)	—	—
Total before tax	Total before tax	(23)	(5)	(1)	—	—
Tax (provision) benefit	Tax (provision) benefit	4	1	1	—	—
Total amount reclassified from AOCI, net of tax	Total amount reclassified from AOCI, net of tax	(19)	(4)	—	—	—

Other comprehensive income (loss)	Other comprehensive income (loss)	(242)	(44)	2	(8)	—
Balance, June 30, 2022		$ (205)	$ (107)	$ (19)	$ (45)	$ 6
Balance, September 30, 2022						

Assured Gu

Notes to Condensed Consolidated Finan

Changes in Accumulated Other Compr

Second Third

		Net Unrealized Gains (Losses) on Investments with: No Credit Impairment	Credit Impairment	ISCR on FG VIEs' Liabilities with Recourse	Cumulative Translation Adjustment	No Credit Impairment Cash Flow Hedge
		(in millions)				
Balance, March 31, 2021		$ 458	$ (36)	$ (21)	$ (35)	$
Balance, June 30, 2021						
Other comprehensive income (loss) before reclassifications	Other comprehensive income (loss) before reclassifications	54	24	(2)	(1)	–
Less: Amounts reclassified from AOCI to:	Less: Amounts reclassified from AOCI to:					
Net realized investment gains (losses)	Net realized investment gains (losses)	4	—	—	—	–
Fair value gains (losses) on FG VIEs	Fair value gains (losses) on FG VIEs	—	—	(1)	—	–
Interest expense						
Total before tax	Total before tax	4	—	(1)	—	–
Tax (provision) benefit	Tax (provision) benefit	(1)	—	1	—	–
Total amount reclassified from AOCI, net of tax	Total amount reclassified from AOCI, net of tax	3	—	—	—	–
Other comprehensive income (loss)	Other comprehensive income (loss)	51	24	(2)	(1)	–
Balance, June 30, 2021		$ 509	$ (12)	$ (23)	$ (36)	$
Balance, September 30, 2021						

Changes in Accumulated Other Compr

Six Nine M

		Net Unrealized Gains (Losses) on Investments with:		ISCR on FG VIEs' Liabilities with Recourse	Cumulative Translation Adjustment	No Credit Impairment Cash Flow Hedge
		No Credit Impairment	Credit Impairment			
		(in millions)				
Balance, December 31, 2021	Balance, December 31, 2021	$ 375	$ (24)	$ (21)	$ (36)	$ 6
Other comprehensive income (loss) before reclassifications	Other comprehensive income (loss) before reclassifications	(600)	(91)	1	(9)	—
Less: Amounts reclassified from AOCI to:	Less: Amounts reclassified from AOCI to:					
Net realized investment gains (losses)	Net realized investment gains (losses)	(24)	(10)	—	—	—
Fair value gains (losses) on FG VIEs	Fair value gains (losses) on FG VIEs	—	—	(2)	—	—
Total before tax	Total before tax	(24)	(10)	(2)	—	—
Tax (provision) benefit	Tax (provision) benefit	4	2	1	—	—
Total amount reclassified from AOCI, net of tax	Total amount reclassified from AOCI, net of tax	(20)	(8)	(1)	—	—
Other comprehensive income (loss)	Other comprehensive income (loss)	(580)	(83)	2	(9)	—
Balance, June 30, 2022		$ (205)	$ (107)	$ (19)	$ (45)	$ 6
Balance, September 30, 2022						

Assured Gu
Notes to Condensed Consolidated Finan

Changes in Accumulated Other Compr
Six Nine M

		Net Unrealized Gains (Losses) on Investments with:		ISCR on FG VIEs' Liabilities with Recourse	Cumulative Translation Adjustment	No Credit Impairment Cash Flow Hedge
		No Credit Impairment	Credit Impairment			
		(in millions)				
Balance, December 31, 2020	Balance, December 31, 2020	$ 577	$ (30)	$ (20)	$ (36)	$

Other comprehensive income (loss) before reclassifications	Other comprehensive income (loss) before reclassifications	(65)	16	(4)	—	–
Less: Amounts reclassified from AOCI to:	Less: Amounts reclassified from AOCI to:					
Net realized investment gains (losses)	Net realized investment gains (losses)	4	(3)	—	—	–
Fair value gains (losses) on FG VIEs	Fair value gains (losses) on FG VIEs	—	—	(2)	—	–
Interest expense						
Total before tax	Total before tax	4	(3)	(2)	—	–
Tax (provision) benefit	Tax (provision) benefit	(1)	1	1	—	–
Total amount reclassified from AOCI, net of tax	Total amount reclassified from AOCI, net of tax	3	(2)	(1)	—	–
Other comprehensive income (loss)	Other comprehensive income (loss)	(68)	18	(3)	—	–
Balance, June 30, 2021		$ 509	$ (12)	$ (23)	$ (36)	$
Balance, September 30, 2021						

Share Repurchases

On August 3, 2022, the Board of Directors (the Board) authorized the repurchase of an additional $250 million Company was authorized to purchase $365 million $261 million of its common shares. The Company expects to and amount of the share repurchases under the program are at the discretion of management and will depend o market conditions, the Company's capital position, legal requirements and other factors. The repurchase progran

Share Re

Period	Period	Number of Shares Repurchased	Total Payments (in millions)	Average Price I Share
2021 (January 1 - March 31)	2021 (January 1 - March 31)	1,986,534	$ 77	$ 38.
2021 (April 1 - June 30)	2021 (April 1 - June 30)	1,887,531	88	46.
2021 (July 1- September 30)	2021 (July 1- September 30)	2,918,993	140	47.
2021 (October 1 - December 31)	2021 (October 1 - December 31)	3,725,982	191	51.
Total 2021	Total 2021	10,519,040	$ 496	47.
2022 (January 1 - March 31) (1)	2022 (January 1 - March 31) (1)	2,738,223	155	56.
2022 (April 1 - June 30)	2022 (April 1 - June 30)	2,605,947	151	58.
2022 (July 1 - August 3)		623,528	35	55.

2022 (July 1 - September 30)				
2022 (October 1 - November 7)				
Total 2022	Total 2022	5,967,698	$ 341	57.

(1) Includes $3 million of share repurchases that was prepaid in December 2021 and settled in the first quarte

Assured Gu
Notes to Condensed Consolidated Finan

15. Earnings Per Share

Computation of Ea

		Second Quarter		Six Months	
		2022	2021	2022	20
		(in millions, except per share amounts)			
Basic Earnings Per Share (EPS):	**Basic Earnings Per Share (EPS):**				
Net income (loss) attributable to AGL	Net income (loss) attributable to AGL	$ (47)	$ 98	$ 19	$
Less: Distributed and undistributed income (loss) available to nonvested shareholders	Less: Distributed and undistributed income (loss) available to nonvested shareholders	—	—	—	
Distributed and undistributed income (loss) available to common shareholders of AGL and subsidiaries, basic	Distributed and undistributed income (loss) available to common shareholders of AGL and subsidiaries, basic	$ (47)	$ 98	$ 19	$
Basic shares	Basic shares	63.8	75.2	65.0	
Basic EPS	**Basic EPS**	**$ (0.74)**	**$ 1.31**	**$ 0.29**	**$**
Diluted EPS:	**Diluted EPS:**				
Distributed and undistributed income (loss) available to common shareholders of AGL and subsidiaries, basic	Distributed and undistributed income (loss) available to common shareholders of AGL and subsidiaries, basic	$ (47)	$ 98	$ 19	$

Plus: Re-allocation of undistributed income (loss) available to nonvested shareholders of AGL and subsidiaries	Plus: Re-allocation of undistributed income (loss) available to nonvested shareholders of AGL and subsidiaries		—		—		—	
Distributed and undistributed income (loss) available to common shareholders of AGL and subsidiaries, diluted	Distributed and undistributed income (loss) available to common shareholders of AGL and subsidiaries, diluted	$	(47)	$	98	$	19	$
Basic shares	Basic shares		63.8		75.2		65.0	
Dilutive securities:	Dilutive securities:							
Options and restricted stock awards	Options and restricted stock awards		—		0.8		1.2	
Diluted shares	Diluted shares		63.8		76.0		66.2	
Diluted EPS	**Diluted EPS**	**$**	**(0.74)**	**$**	**1.29**	**$**	**0.29**	**$**
Potentially dilutive securities excluded from computation of EPS because of antidilutive effect	Potentially dilutive securities excluded from computation of EPS because of antidilutive effect		2.1		—		1.2	

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF

Forward Looking Statements

This Form 10-Q contains information that includes or is based upon forward looking statements within th expectations or forecasts of future events of Assured Guaranty Ltd. (AGL) and its subsidiaries (collectively with A strictly to historical or current facts and relate to future operating or financial performance.

Any or all of Assured Guaranty's forward looking statements herein are based on current expectations a vary materially. Among factors that could cause actual results to differ adversely are:

- changes in inflation, interest rates, the world's credit markets or segments thereof, credit spreads, fo
- consequences of the conflict in Ukraine, including economic sanctions, fragmentation of global supp
- the development, course and duration of the COVID-19 pandemic and the governmental and private therapeutics, and the global consequences of the pandemic and such actions, including their impact
- developments in the world's financial and capital markets that adversely affect insured obligors' repa assets it manages;
- reduction in the amount of available insurance opportunities and/or in the demand for Assured Guara
- the loss of investors in Assured Guaranty's asset management strategies or the failure to attract nev
- the possibility that budget or pension shortfalls or other factors will result in credit losses or impairme that Assured Guaranty insures or reinsures;
- insured losses in excess of those expected by Assured Guaranty or the failure of Assured Guaranty a result of the failure to resolve Assured Guaranty's exposures to Puerto Rico (Puerto Rico or the Co

- increased competition, including from new entrants into the financial guaranty industry;
- poor performance of Assured Guaranty's asset management strategies compared to the performanc
- the possibility that investments made by Assured Guaranty for its investment portfolio, including alte Guaranty to reduced liquidity at a time it requires liquidity, or to unanticipated consequences;
- the impact of market volatility on the mark-to-market of Assured Guaranty's assets and liabilities sub credit default swap (CDS) form, and certain consolidated variable interest entities (VIEs);
- rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings o and/or of any securities AGL or any of its subsidiaries have issued, and/or of transactions that AGL's
- the inability of Assured Guaranty to access external sources of capital on acceptable terms;
- changes in applicable accounting policies or practices;
- changes in applicable laws or regulations, including insurance, bankruptcy and tax laws, or other go
- the possibility that acquisitions made by Assured Guaranty, including its acquisition of BlueMountain associated entities (BlueMountain Acquisition), do not result in the benefits anticipated or subject As
- difficulties with the execution of Assured Guaranty's business strategy;
- loss of key personnel;
- the effects of mergers, acquisitions and divestitures;

- natural or man-made catastrophes or pandemics;
- other risk factors identified in AGL's filings with the United States (U.S.) Securities and Exchange Co
- other risks and uncertainties that have not been identified at this time; and
- management's response to these factors.

The foregoing review of important factors should not be construed as exhaustive, and should be read in included in the Company's 2021 Annual Report on Form 10-K. The Company undertakes no obligation to update or otherwise, except as required by law. Investors are advised, however, to consult any further disclosures the C

If one or more of these or other risks or uncertainties materialize, or if the Company's underlying assump looking statements in this Form 10-Q reflect the Company's current views with respect to future events and are s growth strategy and liquidity.

For these statements, the Company claims the protection of the safe harbor for forward looking stateme the Securities Exchange Act of 1934, as amended (the Exchange Act).

Available Information

The Company maintains an internet web site at *www.assuredguaranty.com*. The Company makes available, fr Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K, and amendments to those reports fi the Company files such material with, or furnishes it to, the SEC. The Company also makes available, free of cha Governance Guidelines, the Company's Global Code of Ethics, AGL's Bye-Laws and the charters for the commit contains reports, proxy and information statements, and other information regarding issuers that file electronicall

The Company routinely posts important information for investors on its web site (under *www.assuredgua* *www.assuredguaranty.com/investor-information* and Businesses tab at *www.assuredguaranty.com/businesses*). *guaranty/*). The Company uses its web site and may use its social media account as a means of disclosing mate Accordingly, investors should monitor the Company Statements, Investor Information and Businesses portions o the Company's press releases, SEC filings, public conference calls, presentations and webcasts.

The information contained on, or that may be accessed through, the Company's web site or social media

Overview

Business

The Company reports its results of operations in two distinct segments, Insurance and Asset Manageme business to assess performance and allocate resources. The Company's Corporate division and other activities separately.

In the Insurance segment, the Company provides credit protection products to the U.S. and international underwriting judgment, risk management skills and capital markets experience primarily to offer credit protection scheduled payments. If an obligor defaults on a scheduled

payment due on an obligation, including a scheduled principal or interest payment (collectively, debt service payı
amount of the shortfall to the holder of the obligation. The Company markets its credit protection products directl
obligations. The Company guarantees obligations issued principally in the U.S. and the United Kingdom (U.K.), a
Australia. The Company also provides other forms of insurance that are consistent with its risk profile and benefi
Premiums are earned over the contractual lives, or in the case of homogeneous pools of insured obligations, the

In the Asset Management segment, the Company provides investment advisory services, which include
certain legacy hedge and opportunity funds now subject to an orderly wind-down. Assured Investment Managem
have managed structured, public finance and credit investments since 2003. AssuredIM provides investment adv
clients. The establishment, in the fourth quarter of 2019, of the Asset Management segment diversifies the risk p
$17.9 billion $17.5 billion of assets under management (AUM), including $1.3 billion that is managed on behalf o

Fees in respect of investment advisory services are the largest component of revenues for the Asset Ma
management fees which are based on AUM, and may also earn performance fees calculated as a percentage o
respect of funds, CLOs and/or accounts which it advises.

The Corporate division consists primarily of interest expense on the debt of Assured Guaranty US Holdi
as other operating expenses attributed to holding company activities, including administrative services performe
and CIVs (FG VIE and CIV consolidation). See Item 1, Financial Statements, Note 2, Segment Information.

Economic Environment

Economic activity in the U.S. and in Europe showed signs of weakness mixed signals in the three-month
Economic Analysis (BEA), after decreasing the initial estimate for third quarter 2022 real gross domestic product
quarters to start 2022, with GDP contracting 1.6% in the first quarter of 2022 and contracting 0.6% in the second
rate of 0.9%. 2022. Two straight quarters of GDP decline contraction is commonly recognized as a common defi
adjusted, stood at 3.6% 3.5%, relatively unchanged from the end of March June 2022 when it stood at 3.6%, and
U.K. GDP fell by 0.3% in the three months through August compared with the three months through May 2022, t
estimates estimated that GDP in the OECD area increased by 0.7% 0.4% in the second quarter of 2022 compare
to have grown by 0.7% on a quarter-over-quarter basis. . The Company believes a more robust economy makes

According to the U.S. Bureau of Labor Statistics, the inflation rate in the U.S. over the 12-month period e
9.1% 8.2% before seasonal adjustment, the largest 12-month rate since the period ending November 1981. adju
the 41.6% increase over the 12 months ended June 2022. The food index rose 10.4% increased 11.2% over the
Office for National Statistics (ONS), ONS, the CPI including owner occupiers' housing costs (CPIH) was 8.2% 8.
March June 2022. Consumer price inflation does not impact in the Company's primary businesses directly, but U.
September 30, 2022, and also increases projected future installment premiums on the portion of such exposure
price inflation may also impact the Company indirectly to the extent it makes it more difficult for obligors to make

The 30-year AAA Municipal Market Data (MMD) rate is a measure of interest rates in the Company's larg
quarter 2022 at 2.53% 3.18% but rose 65 72 basis points (bps) to end the quarter at 3.18% 3.90%. The average
1.54% average for full year 2021. With the onset of the COVID-19 pandemic, the Federal Open Market Committe
FOMC acknowledging inflationary pressure building, the FOMC decided at its meeting in March 2022 to

start again raising the target range for the federal funds rate, and has continued to do so since then. In addition,
mortgage-backed securities. At the conclusion of its June 14-15, September 20-21, 2022 meeting, the FOMC rai
anticipates that ongoing increases in the target range will be appropriate. At the conclusion of its July 26-27, Nov
target range of 2.25% 3.75% to 2.50%, indicating that ongoing increases in the target rate would be appropriate.
example, higher interest rates (when accompanied by wider spreads) may make the Company's credit enhancer
and, over time, also increase the amount the Company can earn on its largely fixed-income investment portfolio.
influences how high a premium the Company can charge for its public finance financial guaranty insurance produ
the other hand, high interest rates decrease the amount of excess spread available to support the distressed res
fixed rate fixed-maturity securities in the investment portfolio. Higher interest rates may also dampen municipal b
insures.

The difference, or credit spread, between the 30-year A-rated general obligation relative to the 30-year A
quarter of 2022, and 33 bps in full year 2021. BBB credit spreads measured on the same basis averaged 90 95 b
2021.

U.S. home prices continued their recent surge decreased in second third quarter 2022. According to the N
was $416,000, $384,000, a new record high and a 13.4% year-over-year increase. However, existing 7.7% decre
consecutive month, to a seasonally adjusted annual rate of 5.1 million and sales were 4.71 million, down 5.4% fr
NSA Index, covering all nine U.S. census divisions, reported continued to decelerate in August, reporting a 19.7%
month. The 10-City Composite annual increase came in at 19.0% 12.1%, down from 19.6% 14.9% in the previou
previous month. month. Home prices in the U.S. impact the performance of the Company's insured RMBS portfo
Company's distressed insured RMBS risks, and may impact the amount of losses or reimbursements it projects

Impact of COVID-19

Variants of COVID-19 continue to spread throughout the world, while the production, acceptance, The er
The emergence continuation of COVID-19 and reactions to it, including various intermittent closures and capacity
size, depth, course and duration of the pandemic, and the effectiveness, acceptance, and distribution of vaccines
continue to evolve. Consequently, and due Due to the nature of the Company's business, all of COVID-19 and its
19 on the Company are not yet fully known to the Company, and still may not emerge for some time. insured por

From shortly Shortly after the pandemic reached the U.S. through early 2021, the Company's surveillance
portfolio of COVID-19 and governmental and private responses to COVID-19, with emphasis on state and local g
revenue shortfalls, as well as obligations supported by revenue streams most impacted by various intermittent cl
and local governments in 2021 and the performance it observed, the Company's surveillance department has re
as most at risk for any developments related to COVID-19 that may impact the ability of issuers to make upcomi
are due at least in part to credit stress arising specifically from COVID-19, and has already received reimbursem

The Company began operating remotely in accordance with its business continuity plan in March 2020 i
U.S., U.K. and France. By the end of February 2022, the Company had reopened all of its offices, choosing a hy
a safe and healthy workplace. Whether its

employees are working remotely or in a hybrid remote and office work model, the Company continues to provide

Key Business Strategies

The Company continually evaluates its business strategies. For example, with the establishment of AssuredIM
Company is pursuing the following key business strategies in three areas: (1) (i) insurance; (2) (ii) asset manage

Insurance

The Company seeks to grow the insurance business through new business production, acquisitions of remain
actively writing new business (legacy monoline insurers) or reinsurance of their insured portfolios, and to continu

Growth of the Insured Portfolio

The Company seeks to grow its insurance portfolio through new business production in each of its three mark
profile defaults by municipal obligors, such as Puerto Rico, Detroit, Michigan and Stockton, California as well as
stimulated demand for the product. The Company believes there will be continued demand for its insurance in th
selection, analysis, negotiation of terms, surveillance and, if necessary, loss mitigation. The Company believes t

- encourages retail investors, who typically have fewer resources than the Company for analyzing mu
- enables institutional investors to operate more efficiently; and
- allows smaller, less well-known issuers to gain market access on a more cost-effective basis.

The low interest rate environment and tight U.S. municipal credit spreads from when the financial crisis began
crisis that began in 2008. More recently, uncertainty related to the COVID-19 pandemic and then rising interest r
spreads further increase in 2022, demand for bond insurance may improve.

In certain segments of the global infrastructure and structured finance markets the Company believes its finan
advantageous capital requirement treatment with the addition of the Company's guaranty. The Company conside
because such transactions diversify both the Company's business opportunities and its risk profile beyond U.S. p
sectors is influenced by typically long lead times and therefore may vary from period to period.

U.S. Municipal Market Data and Bond Insurance Penetration Rates (1)

			Six Months 2022			Six Months 2021			Based on Year Ended De 2021
			(dollars in billions, except number of issues and percentages)						
Par:	**Par:**								
New municipal bonds issued	New municipal bonds issued	$	200.8		$	221.5		$	456
Total insured	Total insured	$	17.6		$	18.7		$	37
Insured by Assured Guaranty	Insured by Assured Guaranty	$	9.9		$	10.8		$	22
Number of issues:	**Number of issues:**								
New municipal bonds issued	New municipal bonds issued		4,682			6,149			11,8
Total insured	Total insured		840			1,162			2,1
Insured by Assured Guaranty	Insured by Assured Guaranty		378			546			1,0
Bond insurance market penetration based on:	**Bond insurance market penetration based on:**								
Par	Par		8.8	%		8.4	%		8
Number of issues	Number of issues		17.9	%		18.9	%		18
Single A par sold	Single A par sold		35.7	%		29.2	%		26
Single A transactions sold	Single A transactions sold		59.0	%		56.9	%		56
$25 million and under par sold	$25 million and under par sold		21.6	%		21.8	%		21
$25 million and under transactions sold	$25 million and under transactions sold		20.8	%		22.0	%		21

(1) Source: The amounts in the table are those reported by Thomson Reuters. The table excludes Corporate-C business.

The Company also considers opportunities to acquire financial guaranty portfolios, whether by acquiring finan reinsurance. These transactions enable the Company to improve its future earnings and deploy excess capital.

Loss Mitigation

In an effort to avoid, reduce or recover losses and potential losses in its insurance portfolio, the Company emp

In the public finance area, the Company believes its experience and the resources it is prepared to deploy, as outcomes in distressed public finance situations than would be the case without its participation. This has been i recently by the Company's role in negotiating various agreements in connection with the restructuring of obligatio corporations. The Company will also, where appropriate, pursue litigation to enforce its rights. For example, it ini Rico and various obligations of its related authorities and public corporations.

After over five years of negotiations, on March 15, 2022, 2022 has been a turning point for resolving a su entered by the United States District Court of the District of Puerto Rico (Federal District Court of Puerto Rico):

- On January 18, 2022, the Federal District Court of Puerto Rico, acting under Title III of the Puerto Rico C Modified Eighth Amended Title III Joint Plan of Adjustment of the Commonwealth of Puerto Rico, the Em Public Buildings Authority (GO/PBA Plan). The GO/PBA Plan restructured approximately $35 billion of d the Company) and other claims against the government of Puerto Rico and certain entities as well as $5 Company believes its terms are consistent with the terms of the settlement embodied in a revised plan s

February 22, 2021, with certain other stakeholders, the Commonwealth, and the financial oversight and

- On January 20, 2022, the Federal District Court of Puerto Rico, acting under Title VI of PROMESA, ente Convention Center District Authority (PRCCDA).
- On January 20, 2022, the Federal District Court of Puerto Rico, acting under Title VI of PROMESA, ente Infrastructure Financing Authority (PRIFA).
- On October 12, 2022, the Federal District Court of Puerto Rico, acting under Title III of PROMESA, ente Transportation Authority (PRHTA) filed by the FOMB with the Federal District Court of Puerto Rico on Se bonds insured by the Company), and the Company believes its terms are consistent with the terms of th stakeholders, the Commonwealth, and the FOMB (the HTA PSA). The FOMB will set the effective date c been announced.

As a result of the consummation on March 15, 2022, of each of the GO/PBA Plan, PRCCDA Modificatio Company under the March Puerto Rico Resolutions, the Company's obligations under its insurance policies cove PBA was greatly reduced. The Company expects that, upon consummation of the HTA Plan, its exposure to PR Company has reduced its total Puerto Rico exposure, all rated below-investment-grade (BIG), by $1.5 billion (fro reduction likely upon implementation of the HTA Plan. The Company believes the consummation of the March P Effective Date, mark a milestone significant milestones in its Puerto Rico loss mitigation efforts. For more informa 1, Financial Statements, Note 3, Outstanding Exposure and the Insured Portfolio section below.

In connection with the consummation of the March Puerto Rico Resolutions and the HTA PSA, the Com

Under the GO/PBA Plan and in connection with its direct exposure the Company received (including am Outstanding Exposure, but excluding amounts received in connection with second-to-pay exposures):

- $530 million in cash, net of ceded reinsurance,
- $605 million of new recovery bonds (see Item 1, Financial Statements, Note 7, Investments and Note 8, which represents the face value of current interest bonds and the maturity value of capital appreciation b
- $258 million of CVIs (see Item 1, Financial Statements, Note 7, Investments and Note 8, Financial Guara the original notional value, net of ceded reinsurance.

Under the PRCCDA Modification and the PRIFA Modification, on March 15, 2022, the Company receive of ceded reinsurance).

During third quarter 2022, the Company received from the Commonwealth, pursuant to the GO/PBA Pla has sold a portion of those CVIs. On the HTA Effective Date, the Company also expects to receive additional rec

The Company has sold some of the new recovery bonds and CVIs it received in connection with the Ma receive in connection with the consummation of the HTA Plan, subject to market conditions. The fair value of suc maturity securities - Puerto Rico, available-for-sale" and "fixed-maturity securities - Puerto Rico, trading" in the ta

On May 5, 2021, AGC and AGM entered into a plan support agreement with respect to Puerto Rico Commonwealth, and the FOMB (the HTA PSA). On May 2, 2022, the FOMB took the first step in the plan of adjustment for PRHTA (HTA Plan) which it believes to be consistent with the HTA PSA. Votir 2022 for the confirmation hearing on the HTA Plan. On July 8, 2022, the Company received from the cash and $668 million original notional of CVI. Assuming the HTA Plan essentially as currently cons upon that implementation.

The Company continues to work to resolve its remaining unresolved defaulted Puerto Rico exposure, Pu Financial Statements, Note 3, Outstanding Exposure. For more information about developments in Puerto Rico a 1, Financial Statements, Note 3, Outstanding Exposure and the exposure. Insured Portfolio section below.

The Company is and has for several years been working with the servicers of some of the RMBS transa
them to continue making payments on their loans to help improve the performance of the related RMBS.

The Company also purchases attractively priced obligations, including BIG obligations, that it has insure
mitigation securities). The fair value of loss mitigation securities as of September 30,2022 (excluding the value o

In some instances, the terms of the Company's policy give it the option to pay principal on an accelerate
the future. The Company has at times exercised this option, which uses cash but reduces projected future losses
refunding bonds or purchasing refunding bonds, or both. Refunding bonds may provide the issuer with payment

Asset Management and Alternative Investments

AssuredIM is a diversified asset manager that serves as investment adviser to CLOs, opportunity and liquid st
June 30, 2022 September 30, 2022, AssuredIM was a top 25 CLO manager by AUM, as published by Creditflux
liquid strategies relating to municipal obligations.

Over time, the Company seeks to broaden and further diversify its Asset Management segment leading
infrastructure and platform to grow its Asset Management segment both organically and through strategic combi

The Company monitors certain operating metrics that are common to the asset management industry. T
AUM) and investment advisory management and performance fees. The Company considers the categorization

useful lens in monitoring the Asset Management segment. AUM by product type assists in measuring the duratio
performance fees. For a discussion of the AUM metric, AUM, see "— Results of Operations by Segment — Asse

Additionally, the Company believes that AssuredIM provides the Company an opportunity to deploy exce
potentially increasing the amount of dividends certain of its insurance subsidiaries are permitted to pay under ap
plus $550 million aggregate of investment assets of AGM, AGC and, until its merger with AGM on April 1, 2021,
under an Investment Management Agreement (IMA). The Company is using these allocations to: (a) (i) launch n
the returns of its own investment portfolio.

Adding inception-to-date distributed gains to the original $750 million allocation, the U.S. Insurance Subs
their jointly owned investment subsidiary, AG Asset Strategies LLC (AGAS). As of June 30, 2022 September 30,
that has yet to be funded. This capital was committed to several funds, each dedicated to a single strategy incluc

Under the IMA with AssuredIM, AGM and AGC have together invested $250 million to in municipal oblig
strengths of AssuredIM and the Company's plans to continue to grow its investment strategies.

Capital Management

The Company has developed strategies to efficiently manage capital within the Assured Guaranty group.

From 2013 through August 3, 2022 November 7, 2022, the Company has repurchased 138 million 140 m
shares outstanding at the beginning of the repurchase program in 2013. On August 3, 2022, the AGL Board of D
previous authorizations, as of August 3, 2022 November 7, 2022, the Company was authorized to purchase $36
in privately negotiated transactions. The timing, form and amount of the share repurchases under the program a
parent company, other potential uses for such funds, market conditions, the Company's capital position, legal re
any time and it does not have an expiration date. See Item 1, Financial Statements, Note 14, Shareholders' Equ

Summary of Sha

		Amount		Number of Shares		Average p per sha
		(in millions, except per share data)				
2013 - 2021	2013 - 2021	$	4,158	132.027	$	31
2022 (First Quarter)	2022 (First Quarter)		155	2.738		56

2022 (Second Quarter)	2022 (Second Quarter)	151	2.606	58
2022 (through August 3)		35	0.623	55
2022 (Third Quarter)				
2022 (through November 7)				
Cumulative repurchases since the beginning of 2013	Cumulative repurchases since the beginning of 2013	$ 4,499	137.994	32

As of June 30, 2022 September 30, 2022, the estimated accretive effect of the cumulative repurchases c
equity attributable to AGL, $39.69 $41.17 per share in adjusted operating shareholders' equity, and $70.39 $73.1

The Company considers the appropriate mix of debt and equity in its capital structure. On May 26, 2021
9, 2021, a portion of the proceeds from the issuance of the 3.15% Senior Notes was used to redeem $200 millio
million of the $230 million of AGMH's 6.25% Notes due in 2102. On August 20, 2021, the Company issued $400
proceeds from the issuance of the 3.6% Senior Notes were used to redeem

$400 million $400 million of AGMH and AGUS debt as follows: all $100 million of AGMH's 5.60% Notes due in 2
AGUS 5% Senior Notes due in 2024. Proceeds from the debt issuances that were not used to redeem debt were
AGL and its U.S. Holding Companies" for the U.S. Holding Companies' long-term debt.

In 2021, as a result of these redemptions, the Company recognized a loss on extinguishment of debt of a
the amount paid to redeem the debt and the carrying value of the debt. The carrying value of the debt included t

Proceeds from Since the debt issuances that were not used to redeem debt were used for general corpo

second quarter of 2017, AGUS has purchased $154 million in principal of AGMH's outstanding Junior Su
Company debt in the future. Since the second quarter of 2017, AGUS has purchased $154 million in principal of

Municipal Assurance Corp. Merger

On April 1, 2021, MAC merged with and into AGM, with AGM as the surviving company. Upon the merge
Company wrote off the $16 million carrying value of MAC's insurance licenses in the first quarter of 2021. This re
reduced costs, and increased the future dividend capacity of the U.S. Insurance Subsidiaries.

Executive Summary

This executive summary of management's discussion and analysis highlights selected information and m
description of events, trends and uncertainties, as well as the capital, liquidity, credit, operational and market risk
in its entirety and in addition to the Company's 2021 Annual Report on Form 10-K.

The primary drivers of volatility in the Company's net income include: changes in fair value of credit deriv
(LAE), foreign exchange gains (losses), the level of refundings of insured obligations, and changes in the value c
mitigation strategies, among other factors. Changes in the fair value of AssuredIM Funds affect the amount of ma
have a significant effect on reported net income or loss in a given reporting period.

Financial Performance of Assured Guaranty

Financia

	Second Quarter		Six Months	
	2022	2021	2022	

GAAP	**GAAP**							
Net income (loss) attributable to AGL	**Net income (loss) attributable to AGL**	**$**	**(47)**	**$**	**98**	**$**	**19**	**$**
Net income (loss) attributable to AGL per diluted share	**Net income (loss) attributable to AGL per diluted share**	**$**	**(0.74)**	**$**	**1.29**	**$**	**0.29**	**$**
Weighted average diluted shares (1)	**Weighted average diluted shares (1)**		**63.8**		**76.0**		**66.2**	
Non-GAAP	Non-GAAP							
Adjusted operating income (loss) (2) (1)	Adjusted operating income (loss) (2) (1)	$	30	$	120	$	120	$
Adjusted operating income per diluted share	Adjusted operating income per diluted share	$	0.46	$	1.59	$	1.81	$
Weighted average diluted shares	Weighted average diluted shares		65.0		76.0		66.2	
Gain (loss) related to FG VIE and CIV consolidation included in adjusted operating income	Gain (loss) related to FG VIE and CIV consolidation included in adjusted operating income	$	10	$	4	$	—	$
Gain (loss) related to FG VIE and CIV consolidation included in adjusted operating income per share	Gain (loss) related to FG VIE and CIV consolidation included in adjusted operating income per share	$	0.15	$	0.05	$	—	$
Components of total adjusted operating income (loss)	**Components of total adjusted operating income (loss)**							
Insurance segment	Insurance segment	$	55	$	152	$	188	$
Asset Management segment	Asset Management segment		—		(2)		—	
Corporate division	Corporate division		(35)		(34)		(68)	
Other (3) (2)	Other (3) (2)		10		4		—	
Adjusted operating income (loss)	Adjusted operating income (loss)	$	30	$	120	$	120	$
Insurance Segment	**Insurance Segment**							
Gross written premiums (GWP)	**Gross written premiums (GWP)**	**$**	**65**	**$**	**84**	**$**	**135**	**$**

Present value of new business production (PVP) (2) (1)	Present value of new business production (PVP) (2) (1)	76	81	145	
Gross par written	Gross par written	6,695	6,137	11,166	
Asset Management Segment	**Asset Management Segment**				
AUM	AUM				
Inflows - third party	Inflows - third party	$ 1,270	$ 426	$ 1,361	$
Inflows - intercompany	Inflows - intercompany	154	—	154	

		As of June 30, 2022		As of December 31, 202	
		Amount	Per Share	Amount	Per
		(in millions, except per share amounts)			
Shareholders' equity attributable to AGL	**Shareholders' equity attributable to AGL**	**$ 5,304**	**$ 84.89**	**$ 6,292**	**$**
Adjusted operating shareholders' equity (2) (1)	Adjusted operating shareholders' equity (2) (1)	5,634	90.18	5,991	
Adjusted book value (2) (1)	Adjusted book value (2) (1)	8,428	134.91	8,823	1
Gain (loss) related to FG VIE and CIV consolidation included in adjusted operating shareholders' equity	Gain (loss) related to FG VIE and CIV consolidation included in adjusted operating shareholders' equity	26	0.42	32	
Gain (loss) related to FG VIE and CIV consolidation included in adjusted book value	Gain (loss) related to FG VIE and CIV consolidation included in adjusted book value	18	0.29	23	
Common shares outstanding (4) (3)	**Common shares outstanding (4) (3)**	**62.5**		**67.5**	

(1) In periods where the Company recognized a net loss, the impact of potentially dilutive outstanding stock-ba
antidilutive effect.

(2) See "—Non-GAAP Financial Measures" for a definition of the financial measures that were not determined
reconciliation of the non-GAAP financial measure to the most directly comparable GAAP measure, if ava

(3) (2) Relates to the effect of consolidating FG VIEs and CIVs.

(4) (3) See "— Overview— Key Business Strategies – Capital Management" above for information on common

Condensed Consolidated Results of Operations

		Condensed Consolidate			
		Three Months Ended June 30,		Six Months Ended June	
		2022	2021	2022	
		(in millions)			
Revenues:	**Revenues:**				
Net earned premiums	Net earned premiums	$ 82	$ 102	$ 296	$
Net investment income	Net investment income	62	68	124	
Asset management fees	Asset management fees	21	21	55	
Net realized investment gains (losses)	Net realized investment gains (losses)	(28)	4	(25)	
Fair value gains (losses) on credit derivatives	Fair value gains (losses) on credit derivatives	9	(33)	6	
Fair value gains (losses) on CCS	Fair value gains (losses) on CCS	10	(6)	11	
Fair value gains (losses) on FG VIEs	Fair value gains (losses) on FG VIEs	10	8	16	
Fair value gains (losses) on CIVs	Fair value gains (losses) on CIVs	3	21	17	
Foreign exchange gains (losses) on remeasurement	Foreign exchange gains (losses) on remeasurement	(71)	5	(101)	
Fair value gains (losses) on trading securities	Fair value gains (losses) on trading securities	(18)	—	(22)	
Other income (loss)	Other income (loss)	10	6	13	
Total revenues	Total revenues	90	196	390	
Expenses:	**Expenses:**				
Loss and LAE (benefit)	Loss and LAE (benefit)	(11)	(16)	46	
Interest expense	Interest expense	20	23	40	
Loss on extinguishment of debt					
Amortization of deferred acquisition costs (DAC)	Amortization of deferred acquisition costs (DAC)	3	4	7	
Employee compensation and benefit expenses	Employee compensation and benefit expenses	59	54	132	
Other operating expenses	Other operating expenses	41	40	83	
Total expenses	Total expenses	112	105	308	

Income (loss) before income taxes and equity in earnings (losses) of investees	Income (loss) before income taxes and equity in earnings (losses) of investees	(22)	91	82
Equity in earnings (losses) of investees	Equity in earnings (losses) of investees	—	34	(11)
Income (loss) before income taxes	Income (loss) before income taxes	(22)	125	71
Less: Provision (benefit) for income taxes	Less: Provision (benefit) for income taxes	3	23	21
Net income (loss)	Net income (loss)	(25)	102	50
Less: Noncontrolling interests	Less: Noncontrolling interests	22	4	31
Net income (loss) attributable to Assured Guaranty Ltd.	**Net income (loss) attributable to Assured Guaranty Ltd.**	**$ (47)**	**$ 98**	**$ 19**	**$**
Effective tax rate	Effective tax rate	(12.9) %	18.5 %	30.3 %

Second Third Quarter 2022 Compared with Second Third Quarter 2021

Net income attributable to AGL was a loss for second decreased in third quarter 2022 compared with inc
2021) primarily due to:

- fair value losses on credit derivatives in third quarter 2022 compared with gains in third quarter 2021
- higher foreign exchange losses on remeasurement in second third quarter 2022,
- losses on equity method alternative investments in third quarter 2022 compared with gains in third q
- realized and unrealized losses on the investment portfolio reported in realized gains (losses) on inve
- prior year gains in equity method alternative investments that did not recur, and
- lower net earned premiums.

These decreases were offset in part by:

- fair value gains losses on credit derivatives and CCS extinguishment of debt of $175 million on a pre quarter 2022 compared with losses second 2021 that did not recur in third quarter 2021. 2022.

Six Nine Months 2022 Compared with Six Nine Months 2021

Net income attributable to AGL for the six month nine-month period ended June 30, 2022 (six Septembe
(six September 30, 2021 (nine months 2021) primarily due to:

- foreign exchange losses on remeasurement in six nine months 2022,
- losses on equity method alternative investments in nine months 2022 compared with gains in nine m
- realized and unrealized losses on the investment portfolio reported in realized gains (losses) on inve
- losses in equity method alternative investments. on trading securities.

These decreases were offset in part by:

- losses on extinguishment of debt in nine months 2021 that did not recur in nine months 2022,
- higher net earned premiums mainly attributable to accelerations on certain Puerto Rico exposures, a
- fair value gains on credit derivatives, FG VIEs and CCS in six nine months 2022 compared with loss

The Company's effective tax rate reflects the proportion of income recognized by each of the Company's 21%, U.K. subsidiaries taxed at the U.K. marginal corporate tax rate of 19%, French subsidiaries subsidiary taxe unless subject to U.S. tax by election or as a U.S. controlled foreign corporation. The effective tax rate in six mor various jurisdictions.

Adjusted Operating Income

Adjusted operating income in second third quarter 2022 was $30 million $133 million, compared with $12 extinguishment of debt in third quarter 2021 that did not recur in third quarter 2022, offset in part by losses in equ 2021), lower net earned premiums, losses on the trading investment portfolio and lower fair value gains on cons

Adjusted operating income in for six nine months 2022 was $120 million $253 million, compared with $16 extinguishment of debt in equity method alternative investments, higher loss expense, losses on the trading inve consolidated investment vehicles, which were partially offset by higher net earned premiums in nine months 202 equity method alternative investments. See "— Results of Operations — Reconciliation to GAAP" below.

Book Value and Adjusted Book Value

Shareholders' equity attributable to AGL declined mainly due to unrealized losses on the available-for-sa Adjusted operating shareholders' equity and adjusted book value declined from December 31, 2021, mainly due on equity method investments partially offset, in the case of adjusted book value, by net written premiums on ne

Shareholder's equity attributable to AGL per share, adjusted operating shareholders' equity per share ar June 30, 2022 September 30, 2022. Shareholders' equity per share declined primarily due to unrealized losses o in adjusted operating shareholders' equity per share and adjusted book value per share was primarily due to the written and

favorable loss development in the Insurance segment also contributed to the increase compared with December below for the reconciliation of shareholders' equity attributable to AGL to adjusted operating shareholders' equity

Other Matters

Russia's Invasion of Ukraine

Russia's invasion of Ukraine has led to the imposition of economic sanctions by many western countries movements, and payment default by certain Russian credits. The economic sanctions imposed by western gove western economic ties to Russia and to reshape global economic and political ties more generally, and the Comp

The Company's surveillance and treasury functions have reviewed the Company's insurance and investm Company's direct insurance exposure to eastern Europe generally is limited to approximately $297 million $272 m par exposure to the sovereign debt of Poland and $68 million $57 million net par exposure to a toll road in Hunga

Inflation

As described above under "Overview -- Economic Environment", by some key measures consumer infla rates generally have increased. The Federal Reserve Board has raised interest rates a few times and communic inflation taking hold in the economy. While Increases in the consumer price inflation does not impact index (CPI) i certain periodic paying insured debt. CPI may also impact the Company indirectly to the extent it makes it more c Company in several ways. For example, higher interest rates might make the Company's credit enhancement pr

time, also increase the amount the Company can earn on its largely fixed-maturity investment portfolio. On the o
the Company insures and reduce the market value of its largely fixed rate fixed maturity investment portfolios.

LIBOR Sunset

ICE Benchmark Administration (IBA) and U.K. Financial Conduct Authority (FCA) first announced in 201 documents entered into prior to that time did not include robust fallback language contemplating the permanent s banks will continue setting 1, 3, 6 and 12-month U.S. Dollar LIBOR through June 2023, rather than December 31 the current basis after June 2023 is unlikely. The publication of all sterling LIBOR rates ceased on December 31,

The Company has exposure to LIBOR in the following areas: (i) issuers of obligations the Company insu investment portfolio reference LIBOR, (ii) debt issued by the U.S. Holding Companies currently pay, or will conve LIBOR, and (iv) certain obligations issued by, and certain assets owned by, the Company's CIVs pay interest tie

U.S. Dollar LIBOR. On March 15, 2022, the U.S. president signed into law the Adjustable Interest Rate (LIBO (SOFR) as a benchmark replacement for LIBOR-based contracts that do not have adequate fallback language o amendments to LIBOR-based contracts that do not contain adequate fallback language. New York and other sta

Sterling LIBOR. The Company is cooperating with the relevant parties to amend the relevant documents Rate (SONIA), and the Company believes such amendments will be completed by year end 2022. In the meanti might have been.

Income Taxes

The U.S. Internal Revenue Service and Department of the Treasury issued final and proposed regulations in regulations are not expected to have a material impact to the Company's business operation or its shareholders

Results of Operations

Critical Accounting Estimates

The preparation of financial statements in accordance with GAAP requires the application of accounting assumptions, based on available information, that affect the amounts of assets, liabilities, revenues and expense economic implications of COVID-19. Estimates are inherently subject to change and actual results could differ fr

Critical estimates and assumptions are evaluated on an on-going basis based on historical development can be no assurance that actual results will conform to estimates and assumptions and that reported results of o these estimates and assumptions from time to time.

The accounting policies that the Company believes are most dependent on the application of judgment, Note 1, Business and Basis of Presentation, of the Company's 2021 Annual Report on Form 10-K, for the Comp regarding the significant estimates and assumptions are provided, as well as Part II. Item 7A, Quantitative and Q details regarding sensitivity analysis.

- Expected loss to be paid (recovered)
- Fair value of certain assets and liabilities, primarily:
  - Investments
  - Assets and liabilities of CIVs
  - Assets and liabilities of FG VIEs
  - Credit derivatives
- Recoverability of goodwill and other intangible assets
- Credit impairment of financial instruments
- Revenue recognition
- Income tax assets and liabilities, including the recoverability of deferred tax assets (liabilities)

In addition, the valuation of AUM, which is the basis for calculating certain asset management fees, is ba on observable and unobservable inputs. AUM may be impacted by a wide range of factors, including the conditi AssuredIM, and regulatory or other governmental policies or actions. For an explanation of how the Company de Operations by Segment — Asset Management Segment".

Results of Operations by Segment

The Company analyzes the operating performance of each segment using each segment's adjusted ope

Insurance Segment Results

Insurance Seg

		Second Quarter		Six Months	
		2022	2021	2022	2(
Segment revenues	**Segment revenues**				
Net earned premiums and credit derivative revenues	Net earned premiums and credit derivative revenues	$ 86	$ 106	$ 305	$
Net investment income	Net investment income	66	71	129	
Fair value gains (losses) on trading securities	Fair value gains (losses) on trading securities	(18)	—	(22)	
Other income (loss)		5	5	5	
Foreign exchange gains (losses) on remeasurement and other income (loss)					
Total segment revenues	Total segment revenues	139	182	417	
Segment expenses	**Segment expenses**				
Loss expense (benefit)	Loss expense (benefit)	(17)	(12)	43	
Interest expense	Interest expense	—	—	1	
Amortization of DAC	Amortization of DAC	3	4	7	
Employee compensation and benefit expenses	Employee compensation and benefit expenses	35	34	73	
Other operating expenses	Other operating expenses	20	21	39	
Total segment expenses	Total segment expenses	41	47	163	
Equity in earnings (losses) of investees	Equity in earnings (losses) of investees	(34)	48	(35)	
Segment adjusted operating income (loss) before income taxes	Segment adjusted operating income (loss) before income taxes	64	183	219	

Less: Provision (benefit) for income taxes	Less: Provision (benefit) for income taxes	9	31	31	
Segment adjusted operating income (loss)	Segment adjusted operating income (loss)	$ 55	$ 152	$ 188	$

Net Earned Premiums and Credit Derivative Revenues

Premiums are earned over the contractual lives, or in the case of insured obligations backed by homogeneous periodically estimates remaining expected lives of its insured obligations backed by homogeneous pools of asse decrease each year unless replaced by a higher amount of new business, books of business acquired in a busin Contracts Accounted for as Insurance, Premiums, for additional information.

Net earned premiums due to accelerations are attributable to changes in the expected lives of insured ol negotiated agreements or the exercise of the Company's contractual rights to make claim payments on an accel

Refundings occur in the public finance market when municipalities and other public finance issuers pay down refinance their debt obligations at lower rates than they are currently paying. The premiums associated with the i obligations are issued and insured. When issuers pay down insured obligations, the Company is no longer on ris premium revenue. The amortization of the Company's outstanding book of business along with the previously hi except for refundings of Puerto Rico polices under the March Puerto Rico Resolutions.

Terminations are generally negotiated agreements with beneficiaries resulting in the extinguishment of the Co also occur in the public finance asset class. While each termination may have different terms, they all result in th premium revenue and the reduction of any remaining premiums receivable.

The Company has not written any new credit derivatives default swaps since 2009. Other than While the may be acquired in business combinations and or reinsurance agreements, or as part of loss mitigation, strategie

Insurance
Net Earned Premiums and

		Second Quarter		Six Months	
		2022	2021	2022	
		(in millions)			
Net earned premiums:	Net earned premiums:				
Financial guaranty insurance:	Financial guaranty insurance:				
Public finance	Public finance				
Scheduled net earned premiums (1)	Scheduled net earned premiums (1)	$ 63	$ 72	$ 134	$
Accelerations:	Accelerations:				
Refundings	Refundings	5	13	133	
Terminations	Terminations	—	1	—	
Total accelerations	Total accelerations	5	14	133	
Total public finance	Total public finance	68	86	267	
Structured finance	Structured finance				
Scheduled net earned premiums (1)	Scheduled net earned premiums (1)	14	15	29	
Terminations	Terminations	—	1	—	

Total structured finance	Total structured finance	14	16	29	
Specialty insurance and reinsurance	Specialty insurance and reinsurance	1	1	2	
Total net earned premiums	Total net earned premiums	83	103	298	
Credit derivative revenues:	Credit derivative revenues:				
Scheduled net earned premiums	Scheduled net earned premiums	3	3	5	
Accelerations	Accelerations	—	—	2	
Total credit derivative revenues	Total credit derivative revenues	3	3	7	
Total net earned premiums and credit derivative revenues	Total net earned premiums and credit derivative revenues	$ 86	$ 106	$ 305	$

(1) Includes accretion of discount.

Net earned premiums and credit derivative revenues decreased in second third quarter 2022 compared with s
quarter 2021 that did not recur, and lower refundings accelerations and changes in updates to debt service assur
2022 compared with six nine months 2021 primarily due to refundings of $104 million associated with the March
30, 2022 September 30, 2022, $3.6 billion of net deferred premium revenue on financial guaranty insurance rem

New Business Production

		Gross Written New Busines							
		Second Quarter				Six Months			
		2022		2021		2022		2021	
		(in millions)							
GWP	**GWP**								
Public Finance—U.S.	Public Finance—U.S.	$	57	$	29	$	106	$	
Public Finance—non-U.S.	Public Finance—non-U.S.		6		44		22		
Structured Finance—U.S.	Structured Finance—U.S.		1		11		6		
Structured Finance—non-U.S.	Structured Finance—non-U.S.		1		—		1		
Total GWP	Total GWP	$	65	$	84	$	135	$	
PVP (1):	**PVP (1):**								
Public Finance—U.S.	Public Finance—U.S.	$	57	$	29	$	106	$	
Public Finance—non-U.S.	Public Finance—non-U.S.		18		43		30		

Structured Finance—U.S.	Structured Finance—U.S.	—	9	2	
Structured Finance—non-U.S. (1)	Structured Finance—non-U.S. (1)	1	—	7	
Total PVP	Total PVP	$ 76	$ 81	$ 145	$
Gross Par Written (2):	**Gross Par Written (2):**				
Public Finance—U.S.	Public Finance—U.S.	$ 6,429	$ 4,716	$ 10,360	$ 10,
Public Finance—non-U.S.	Public Finance—non-U.S.	207	961	430	
Structured Finance—U.S.	Structured Finance—U.S.	16	460	76	
Structured Finance—non-U.S. (1)	Structured Finance—non-U.S. (1)	43	—	300	
Total gross par written	Total gross par written	$ 6,695	$ 6,137	$ 11,166	$ 11,
Average rating on new business written	Average rating on new business written	A	A-	A-	A-

(1) Six Nine months 2022 PVP and gross par written includes include the present value of future premiums and accounted for under ASC 460, *Guarantees*.

(2) PVP and Gross Par Written in the table above are based on "close date," when the transaction settles. See

Second Third Quarter 2022

U.S. public finance GWP and PVP in second third quarter 2022 was higher than the comparable GWP a third quarter 2022 and a higher proportion of secondary market transactions. business which generally carries a

In the U.S. public finance primary market, which had lower new issuance in third quarter 2022 comparec increased due to the higher interest rate environment.

The average rating of U.S. public finance par written was A A- in both second third quarter 2022 and sec of the total U.S. municipal market insured issuance in second third quarter 2022, compared with 52% 64% in sec quarter 2022 compared with 4.5% 5.4% in second third quarter 2021.

In second third quarter 2022, non-U.S. public finance GWP and PVP were primarily attributable to a seco

Six

Nine Months 2022

Six Nine months 2022 U.S. public finance GWP and PVP were relatively consistent compared with six ni portion of PVP and GWP in nine months 2022 compared with nine months 2021.

The average rating of U.S. public finance par written was A- in both nine months 2022 and nine months municipal market insured issuance in six nine months 2022, compared with 58% 60% in six nine months 2021, ar six 5.1% for nine months 2021.

In six nine months 2022, non-U.S. public finance GWP and PVP were primarily attributable to a seconda

Income from Investment Portfolio

Net investment income is a function of the yield that the Company earns on available-for-sale fixed-matu market interest rates at the time of investment as well as the type, credit quality and maturity of the securities in t

CVIs issued by Puerto Rico and received as part of the March Puerto Rico Resolutions or the HTA PSA fair value of such instruments as of June 30, 2022 September 30, 2022 was $87 million $393 million.

Equity method investments in the Insurance segment include investments that the U.S. Insurance Subsi investments is reported in "equity in earnings (losses) of investees" and typically represents the change in net as investments. The U.S. Insurance Subsidiaries are authorized to invest up to $750 million in AssuredIM Funds. A in AssuredIM Funds. As of June 30, 2022 September 30, 2022, the U.S. Insurance Subsidiaries had total commi invested capital and $241 million $219 million was undrawn.

Insurance
Income from Inv

		Second Quarter		Six Months	
		2022	2021	2022	2
Net investment income	**Net investment income**				
Externally managed	Externally managed	$ 46	$ 51	$ 93	$
Loss mitigation securities and other	Loss mitigation securities and other	13	15	25	
Managed by AssuredIM (1)	Managed by AssuredIM (1)	5	4	9	
Intercompany loans	Intercompany loans	3	3	5	
Investment income	Investment income	67	73	132	
Investment expenses	Investment expenses	(1)	(2)	(3)	
Net investment income	Net investment income	$ 66	$ 71	$ 129	$
Fair value gains (losses) on trading securities	Fair value gains (losses) on trading securities	$ (18)	$ —	$ (22)	$
Equity in earnings (losses) of investees	**Equity in earnings (losses) of investees**				
AssuredIM Funds	AssuredIM Funds	$ (33)	$ 37	$ (22)	$
Other	Other	(1)	11	(13)	
Equity in earnings (losses) of investees	Equity in earnings (losses) of investees	$ (34)	$ 48	$ (35)	$

(1) Represents interest income on a portfolio of CLOs and municipal bonds managed by AssuredIM under an I

Net investment income for second was $69 million in both third quarter 2022 and six months 2022 decreased 2021, primarily due to lower average balances in fixed-maturity securities as short term investments assets were

2.95% 3.21% as of June 30, 2022 September 30, 2022 and 3.15% 3.10% as of June 30, 2021 September 30, 202
2022 September 30, 2022 and 2.92% 2.87% as of June 30, 2021 September 30, 2021.

Equity in earnings of AssuredIM Funds in second third quarter 2022 was a gain primarily attributable to p
were primarily attributable to lower valuations of assets held in CLO funds and the dilutive impact of a subsequen
and six months 2021 was primarily attributable to changes in the NAV of CLO and healthcare funds. Equity in ea
compared with second third quarter 2021 and six nine months 2021 primarily due to mark to market mark-to-mark

Economic Loss Development

The insured portfolio includes policies accounted for under several different accounting models dependin
used in estimating the expected loss to be paid (recovered) for all contracts and the accounting policies for meas
Financial Statements and Supplementary Data, of the Company's 2021 Annual Report on Form 10-K:

- Note 6 for contracts accounted for as insurance;
- Note 7 for contracts accounted for as credit derivatives;
- Note 9 for FG VIEs; and
- Note 10 for fair value methodologies for credit derivatives and FG VIEs' assets and liabilities.

In order to efficiently evaluate and manage the economics of the entire insured portfolio, management compile
follows encompasses expected losses on all contracts in the insured portfolio regardless of accounting model, un
future: expected claim and LAE payments; expected recoveries from issuers or excess spread; cessions to reins
effects of other loss mitigation strategies. Assumptions used in the

determination of the net expected loss to be paid (recovered) such as delinquency, severity, and discount rates a

Current risk-free rates are used to discount expected losses at the end of each reporting period and ther
free rates used to discount losses affect economic loss development, and loss and LAE; however, the effect of c
following table presents the range and weighted average discount rates used to discount expected losses (recov

Risk-Free Rates Used in Expec
U.S. Dollar Denom

		As of June 30, 2022	As of March 31, 2022	As of December 31, 2021	As of June 30, 2021	As of March 31, 2021	As of Dece 31, 202
Range	Range	1.67% – 3.41%	0.00% – 2.61%	0.00% – 1.98%	0.00% – 2.14%	0.00% – 2.49%	0.00% – 1
Weighted average	Weighted average	2.9%	2.26%	1.02%	0.73%	0.88%	0.60%

The composition of economic loss development (benefit) by accounting model and by sector are present

Net Expected Loss to be Paid (Recovered) ar
by Accoun

Accounting Model	Accounting Model	Net Expected Loss to be Paid (Recovered) As of June 30, 2022	Net Expected Loss to be Paid (Recovered) As of December 31, 2021	Net Economic Loss Development (Benefit) Second Quarter 2022	Net Economic Loss Development (Benefit) Second Quarter 2021	Net Economic Loss Development (Benefit) Six Months 2022	Net Economic Loss Development (Benefit) Six Months 2021
				(in millions)			
Insurance	Insurance	$ 405	$ 364	(26)	(25)	$ (70)	$ (9
FG VIEs	FG VIEs	32	42	(6)	(1)	(10)	(7
Credit derivatives	Credit derivatives	5	5	—	6	4	9

Total	Total	$	442	$	411	$	(32)	$	(20)	$	(76)	$	(7
Net exposure rated BIG	Net exposure rated BIG	$	5,470	$	7,440								

(1) The increase in net expected loss to be paid is due to the receipt in third quarter 2022 of $147 million in ca
terms of the HTA PSA.

Net Expected Loss to be Paid (Recovered) ar
By S

		Net Expected Loss to be Paid (Recovered)		Net Economic Loss Development (Benefit)			
		As of		Second Quarter		Six Months	
Sector	Sector	June 30, 2022	December 31, 2021	2022	2021	2022	20
				(in millions)			
U.S. public finance	U.S. public finance	$ 210	$ 197	$ 8	$ 1	$ (40)	$
Non-U.S. public finance	Non-U.S. public finance	7	12	(2)	(1)	(4)	(
Structured finance	Structured finance						
U.S. RMBS	U.S. RMBS	179	150	(39)	(28)	(32)	(
Other structured finance	Other structured finance	46	52	1	8	—	
Structured finance	Structured finance	225	202	(38)	(20)	(32)	(
Total	Total	$ 442	$ 411	$ (32)	$ (20)	$ (76)	$
Effect of changes in the risk-free rates included in economic loss development (benefit)	Effect of changes in the risk-free rates included in economic loss development (benefit)			(42)	15	$ (89)	$ (

Second Third Quarter 2022 Net Economic Loss Development

Public Finance: The economic loss development on U.S. exposures in second third quarter 2022 was $8
the effect of changes in discount rate. rates. Public finance expected loss to be paid primarily related to U.S. exp
compared with $5.4 billion as of December 31, 2021. The reduction in net par was primarily due to the March Pu

U.S. RMBS: The economic benefit attributable to U.S. RMBS was $39 million $95 million and was primar
$26 million benefit related to updates in discount rates, the projected conditional default rate (CDR) curves, a $17
a R&W provider, a $16 million benefit related to improved performance in certain transactions, a $14 million $12
secured second lien charged-off loans, and a $11 million benefit related to lower initial severity assumptions for f
spread.

See Item 1, Financial Statements, Note 4, Expected Loss to be Paid (Recovered) for additional informati

Second Third Quarter 2021 Net Economic Loss Development

Public Finance: Expected Public finance expected loss to be paid primarily related to U.S. exposures, wh

outstanding of $5.6 billion $5.4 billion as of June 30, 2021 compared with $5.4 billion as of both September 30, 2(
U.S. public finance exposures as of June 30, 2021 September 30, 2021 would be $221 million $9 million,
compared with a net expected loss of $305 million as of December 31, 2020. Economic loss development The e(
was $1 million $29 million, which was primarily attributable to deterioration in a student housing transaction and c
which were partially offset by improvement in certain Puerto Rico exposures.

U.S. RMBS RMBS: : The economic benefit attributable to U.S. RMBS was $28 million $65 million and wa
recoveries received on charged-off second lien loans, and $19 million benefit for increased recoveries on certain
assumptions based on consistently observed trends. The primary change was to include remaining COVID-19 fo
assumption to these loans.The change in assumption for COVID-19 forbearance loans, changes to the severity,
and deferred principal balances for third quarter 2021.

Nine Months 2022Net Economic Loss Development

Public Finance: The economic benefit on U.S. public finance exposures in nine months 2022 was $16 m
exposures, partially offset by healthcare and Puerto Rico exposures.

U.S. RMBS: The net benefit attributable to U.S. RMBS was $127 million and was mainly related to a $7
performance in certain transactions, a $27 million benefit related to the purchase of a loss mitigation security, a $
recoveries for secured second lien charged-off loans, a $17 million benefit on certain assumed RMBS transactio
lower severity assumptions, partially offset by an $11 million loss for losses of $79 million related to lower excess

Nine Months 2021 Net Economic Loss Development

Public Finance: The economic benefit on U.S. public finance exposures in nine months 2021 was $13 m
certain transactions and improvement in certain Puerto Rico exposures, partially offset by deterioration in a stud(
$15 million for non-U.S. public finance exposures mainly due to the impact of higher Euro InterBank Offered Rat(

U.S. RMBS: The net benefit attributable to U.S. RMBS was $82 million and was mainly related to a $67
changes in discount rates, and changes in assumptions related to recovery of certain deferred principal balances
modified to be fixed) but have insured floating rate debt linked to LIBOR. Lower LIBOR results $35 million in high
sectors, and the reduction in the CDR floor were partially offset by higher assumed liquidation rates for remainin(

Other Structured Finance Finance:: The economic loss development attributable to structured finance, e:
was $8 million $9 million, which was primarily attributable to LAE for certain transactions.

Six Months 2022Net Economic Loss Development

The economic benefit on U.S. public finance exposures in six months 2022 was $40 million, which was p
was mainly related to a $45 million benefit related to changes in discount rates, a $27 million benefit related to in
second lien charged-off loans, and a $11 million benefit related to lower initial severity assumptions for first lien U

Six Months 2021 Net Economic Loss Development

Economic loss development on U.S. public finance exposures in six months 2021 was $16 million, which
were partially offset by changes in discount rates and improved cash flows for a certain transaction. The econom
million for non-U.S. public finance exposures due mainly due to the restructuring of certain exposures and the im
Euribor. The net benefit attributable to U.S. RMBS was $17 million and was mainly related to a $22 million benef
benefit for higher recoveries received for charged-off loans, partially offset by a $33 million loss for lower excess
million, which was primarily attributable to LAE for certain transactions.

Insurance Segment Loss Expense

The primary differences between net economic loss development and the amount reported as “loss and LAE”
in the calculation of loss reserves for financial guaranty insurance contracts; (2) (ii) eliminates loss and LAE relat

Insurance segment loss expense includes loss and LAE on financial guaranty insurance contracts and losses

For financial guaranty insurance contracts, each transaction’s expected loss to be expensed is compared with
future net claim payments that have not yet been expensed. Such amounts will be expensed in future periods as
expensed is the Company’s projection of incurred losses that will be recognized in future periods, excluding accr
recognized in income for the amount of such excess. Therefore, the timing of loss recognition in income does no
loss development. Transactions (particularly BIG transactions) acquired in a business combination or seasoned
balances. Therefore, the largest differences between net economic loss development and loss and LAE on finan

The amount of Insurance segment loss expense, which includes all policies regardless of form, is a func
amortization in a given period, on a contract-by-contract basis.

While expected loss to be paid (recovered) is an important measure that provides the present value of a
expensed is important because it presents the Company’s projection of net expected losses that will be recogniz
income for financial guaranty insurance policies.

Loss

The amount of Insurance segment loss expense, (benefit) which includes all policies regardless of form,
premium revenue amortization of unearned premium reserve. in a given period, on a contract-by-contract basis.

Insurance
Loss Exper

		Second Quarter		Six Months	
		2022	2021	2022	
		(in millions)			
U.S. public finance	U.S. public finance	$ 11	$ 4	$ 66	$
Non-U.S. public finance	Non-U.S. public finance	—	(1)	—	
Structured finance	Structured finance				
U.S. RMBS	U.S. RMBS	(28)	(22)	(22)	
Other structured finance	Other structured finance	—	7	(1)	
Structured finance	Structured finance	(28)	(15)	(23)	
Total Insurance segment loss expense (benefit)	Total Insurance segment loss expense (benefit)	$ (17)	$ (12)	$ 43	$

The largest component of the U.S. public finance loss expense was Puerto Rico exposures for all periods pres
primarily attributable to the release of unearned premium reserve associated with extinguished Puerto Rico polic
second lien transactions. For additional information on the expected timing of net expected losses to be expense
as Insurance.

Other Operating Expenses

The decrease in other operating expenses in six nine months 2022 compared with six nine months 2021
in the first quarter of 2021. MAC was merged with and into AGM on April 1, 2021. See Item 1, Financial Stateme

Financial Strength Ratings

Demand for the financial guaranties issued by the Company’s insurance subsidiaries may be impacted by cha
ratings) assigned to AGL’s insurance subsidiaries, along with the date of the most recent rating action (or confirm

	S&P Global Ratings, a division of Standard & Poor's Financial Services LLC (S&P)	Kroll
AGM	AA (stable) (7/8/22)	AA+ (stable
AGC	AA (stable) (7/8/22)	AA+ (stable
Assured Guaranty Re Ltd. (AG Re)	AA (stable) (7/8/22)	
Assured Guaranty Re Overseas Ltd. (AGRO)	AA (stable) (7/8/22)	
Assured Guaranty UK Limited (AGUK)	AA (stable) (7/8/22)	AA+ (stable
Assured Guaranty (Europe) SA (AGE)	AA (stable) (7/8/22)	AA+ (stable

(1) AGC requested that Moody's withdraw its financial strength ratings of AGC in January 2017, but Moody's d from A3 (stable).

Ratings are subject to continuous rating agency review and revision or withdrawal at any time. In additio result of such assessment

may request that a rating agency add or drop a rating from certain of its companies. There can be no assurance AGL's insurance

subsidiaries in the future or cease to rate one or more of AGL's insurance subsidiaries, either voluntarily or at the

For a discussion of the effects of rating actions on the Company beyond potential effects on the demand for its

Asset Management Segment Results

		Asset Managemen			
		Second Quarter		Six Months	
		2022	2021	2022	2
		(in millions)			
Segment revenues	**Segment revenues**				
Management fees (1)	Management fees (1)	$ 27	19	48	
Performance fees	Performance fees	2	—	18	
Other income (loss)		(1)	2	1	
Foreign exchange gains (losses) on remeasurement and other income (loss)					
Total segment revenues	Total segment revenues	28	21	67	
Segment expenses	**Segment expenses**				
Employee compensation and benefit expenses	Employee compensation and benefit expenses	17	15	46	
Other operating expenses (1) (2)	Other operating expenses (1) (2)	11	9	21	
Total segment expenses	Total segment expenses	28	24	67	

Segment adjusted operating income (loss) before income taxes	Segment adjusted operating income (loss) before income taxes	—	(3)	—	
Less: Provision (benefit) for income taxes	Less: Provision (benefit) for income taxes	—	(1)	—	
Segment adjusted operating income (loss)	Segment adjusted operating income (loss)	$ —	$ (2)	$ —	$

(1) The Asset Management segment presents reimbursable fund expenses netted in other operating expenses gross as revenues.

(2) Includes amortization of intangible assets of $3 million in both second $2 million for third quarter 2022, and million for nine months 2021.

Management and Performance Fees

Management fees are generated by CLOs, opportunity funds, liquid strategies, and the wind-down funds. CLO to the CLO Equity that is held directly by AssuredIM Funds. Management fees from opportunity funds and liquid segment's U.S. Insurance Subsidiaries invest along with two previously established opportunity funds in their ha

Mana

		Second Quarter		Six Months	
		2022	2021	2022	
		(in millions)			
CLOs	CLOs	$ 12	$ 12	$ 24	$
Opportunity funds and liquid strategies	Opportunity funds and liquid strategies	15	5	23	
Wind-down funds	Wind-down funds	—	2	1	
Total management fees	Total management fees	$ 27	$ 19	$ 48	$

Fees from opportunity funds increased primarily due to higher third party AUM in healthcare funds. Fees 30, 2022, AUM of the wind-down funds was $0.3 billion $0.2 billion compared with $1.2 billion $0.8 billion as of Ju

Performance fees and increased compensation expenses in six nine months 2022 were attributable to th

Assets Under Management

The Company uses AUM as a metric to measure progress in its Asset Management segment. Managem Company believes that AUM is a useful metric for assessing the relative size and scope of the Company's asset measure of change in AUM in its calculation of certain components of management compensation. Investors als managed, advised or serviced by the Asset Management segment and equals the sum of the following:

- the amount of aggregate collateral balance and principal cash of AssuredIM's CLOs, including CLO Equ Management, LLC (BM Fuji), which was sold to a third party in second quarter 2021. AssuredIM is not th to provide personnel and other services to BM Fuji associated with the management of BM Fuji-advised practices; and

- the net asset value of all funds and accounts other than CLOs, plus any unfunded commitments. Chang

The Company's calculation of AUM may differ from the calculation employed by other investment manag investment managers. The calculation also differs from the manner in which AssuredIM affiliates registered with ADV and Form PF in various ways.

The Company also uses several other measurements of AUM to understand and measure its AUM in more de

"Third-party AUM" refers to the assets AssuredIM manages or advises on behalf of third-party investors. Equity that may be held by AssuredIM Funds.

"Intercompany AUM" refers to the assets AssuredIM manages or advises on behalf of the Company. Thi AssuredIM (or its affiliates) into the AssuredIM Funds.

"Funded AUM" refers to assets that have been deployed or invested into the funds or CLOs.

"Unfunded AUM" refers to unfunded capital commitments from closed-end funds and CLO warehouse fu

"Fee earning AUM" refers to assets where AssuredIM collects fees and has elected not to waive or reba

"Non-fee earning AUM" refers to assets where AssuredIM does not collect fees or has elected to waive investors affiliated with AssuredIM and/or the Company. Further, to the extent that the Company's wind-down an and/or performance fees earned from the CLOs to the extent such fees are attributable to the wind-down and op

Roll Forward of A
Second Third

		CLOs	Opportunity Funds (1)	Liquid Strategies (2)	Wind-Down Funds	T
				(in millions)		
AUM, March 31, 2022		**$ 14,282**	**$ 1,874**	**$ 375**	**$ 459**	**$ 1**
AUM, June 30, 2022						
Inflows - third party	Inflows - third party	1,049	200	21	—	
Inflows - intercompany	Inflows - intercompany	50	—	104	—	
Outflows:	Outflows:					
Redemptions	Redemptions	—	—	—	—	
Distributions	Distributions	(22)	(39)	(125)	(140)	
Total outflows	Total outflows	(22)	(39)	(125)	(140)	
Net flows	Net flows	1,077	161	—	(140)	
Change in value	Change in value	(183)	15	(3)	20	
AUM, June 30, 2022		**$ 15,176**	**$ 2,050**	**$ 372**	**$ 339**	**$ 1**
AUM, September 30, 2022						

Roll Forward of A
Six Nin

CLOs	Opportunity Funds (1)	Liquid Strategies (2)	Wind-Down Funds	T

				(in millions)		
AUM, December 31, 2021	**AUM, December 31, 2021**	**$ 14,699**	**$ 1,824**	**$ 389**	**$ 582**	**$ 1**
Inflows - third party	Inflows - third party	1,049	291	21	—	
Inflows - intercompany	Inflows - intercompany	50	—	104	—	
Outflows:	Outflows:					
Redemptions	Redemptions	—	—	—	—	
Distributions	Distributions	(357)	(143)	(125)	(275)	
Total outflows	Total outflows	(357)	(143)	(125)	(275)	
Net flows	Net flows	742	148	—	(275)	
Change in value	Change in value	(265)	78	(17)	32	
AUM, June 30, 2022		**$ 15,176**	**$ 2,050**	**$ 372**	**$ 339**	**$ 1**
AUM, September 30, 2022						

(1)CLOs inflows and outflows include $105 million in third quarter 2022 and nine months 2022 related to the tran

(2) Opportunity funds inflows in second quarter 2022 and six nine months 2022 are primarily related to the hea million in second third quarter 2022 and six nine months 2022, respectively, related to the AssuredIM Fur funds was $114 million $74 million.

(2) (3) Liquid strategies inflows and outflows in second quarter 2022 and six nine months 2022 relate to the trar

Components of Asset

		CLOs (1)	Opportunity Funds	Liquid Strategies	Wind-Down Funds	T
				(in millions)		
As of June 30, 2022:						
As of September 30, 2022:						
Funded AUM	Funded AUM	$ 15,069	$ 1,288	$ 372	$ 317	$ 1
Unfunded AUM	Unfunded AUM	107	762	—	22	
Fee-earning AUM	Fee-earning AUM	$ 14,773	$ 1,801	$ 372	$ 202	$ 1
Non-fee earning AUM	Non-fee earning AUM	403	249	—	137	
Intercompany AUM	Intercompany AUM					
Funded AUM	Funded AUM	$ 562	$ 187	$ 351	$ —	$
Unfunded AUM	Unfunded AUM	106	135	—	—	
As of December 31, 2021:	**As of December 31, 2021:**					
Funded AUM	Funded AUM	$ 14,575	$ 1,297	$ 389	$ 560	$ 1
Unfunded AUM	Unfunded AUM	124	527	—	22	
Fee-earning AUM	Fee-earning AUM	$ 14,252	$ 1,527	$ 389	$ 408	$ 1
Non-fee earning AUM	Non-fee earning AUM	447	297	—	174	

Intercompany AUM	Intercompany AUM									
Funded AUM	Funded AUM	$	541	$	217	$	368	$	—	$
Unfunded AUM	Unfunded AUM		123		121		—		—	

(1) CLO AUM includes CLO Equity that is held by various AssuredIM Funds. This CLO Equity corresponds to t
Funds.

Corporate Division Results

Corporate Di

		Second Quarter		Six Months	
		2022	2021	2022	20
		(in millions)			
Revenues	**Revenues**	$ 1	—	2	
Expenses	**Expenses**				
Interest expense	Interest expense	23	26	44	
Loss on extinguishment of debt					
Employee compensation and benefit expenses	Employee compensation and benefit expenses	7	5	13	
Other operating expenses	Other operating expenses	6	5	13	
Total expenses	Total expenses	36	36	70	
Equity in earnings (losses) of investees	Equity in earnings (losses) of investees	—	—	—	
Adjusted operating income (loss) before income taxes	Adjusted operating income (loss) before income taxes	(35)	(36)	(68)	
Less: Provision (benefit) for income taxes	Less: Provision (benefit) for income taxes	—	(2)	—	
Adjusted operating income (loss)	Adjusted operating income (loss)	$ (35)	$ (34)	$ (68)	$

The Corporate division loss in third quarter 2021 was primarily due to the loss on extinguishment of debt
debt, which represented the difference between the amount paid to redeem the debt and the carrying value of th

extinguishment of debt primarily consisted of a $156 million acceleration of unamortized fair value adjustments th
associated with the redemption of $170 million of AGUS 5% Senior Notes. See Item 1. Financial Statements, No

Corporate division interest expense primarily relates to debt issued by the U.S. Holding Companies, and
second third quarter 2021, and $5 million $7 million in both six nine months 2022 and six nine months 2021, respe

debt to the U.S. Insurance Subsidiaries, which was borrowed in October 2019 in connection with the BlueMounta

Corporate division employee compensation and benefits expenses are based on time studies and repres
and governance. Other expenses include Board of Director expenses, legal fees and other direct or allocated ex

Other (Effect of FG VIEs and CIVs)

The effect of consolidating FG VIEs and CIVs, intersegment eliminations, and reclassifications of reimbursable
Information.

The types of entities the Company consolidates when it is deemed to be the primary beneficiary primarily
established in connection with the consummation of the March Puerto Rico Resolutions; and (3) (iii) investment v
eliminates the effects of intercompany transactions between its FG VIEs and CIVs, and its insurance and asset r

The effect of consolidating Consolidating FG VIEs (as opposed to accounting for the related insurance contrac
includes: (1) (i) the establishment of the FG VIEs' assets and liabilities and related changes in fair value on the c
financial guaranty insurance contracts between the insurance subsidiaries and the FG VIEs; and (3) (iii) eliminati
FG VIEs.

The effect of consolidating Consolidating CIVs (as opposed to accounting for them as equity method inve
the assets and liabilities of the CIVs, and related changes in fair value; (2) (ii) eliminating the asset management
subsidiaries and related equity in earnings (losses) of investees and (4) (iv) establishing non-controlling interest f
interests in CIVs is presented in the Insurance segment as equity in earnings (losses) of investees, while the effe
redeemable non-controlling interest) on a consolidated basis.

The table below reflects the effect of consolidating FG VIEs and CIVs on the condensed consolidated st
and (2) (ii) the consolidation adjustments and eliminations between consolidated FG VIEs or CIVs and the opera

Effect of Consolidating FG VIEs and CIVs on the C
Increase (

Effect on Financial Statement Line Item	Effect on Financial Statement Line Item	Second Quarter 2022	Second Quarter 2021	Six Months 2022	Six Months
		(in millions)			
Fair value gains (losses) on FG VIEs (1)	Fair value gains (losses) on FG VIEs (1)	$ 10	$ 8	$ 16	$
Fair value gains (losses) on CIVs	Fair value gains (losses) on CIVs	3	21	17	
Equity in earnings (losses) of investees (2)	Equity in earnings (losses) of investees (2)	34	(14)	24	
Other (3)	Other (3)	(13)	(6)	(24)	
Effect on income before tax	Effect on income before tax	34	9	33	
Less: Tax provision (benefit)	Less: Tax provision (benefit)	2	1	2	
Effect on net income (loss)	**Effect on net income (loss)**	32	8	31	
Less: Effect on noncontrolling interests (4)	Less: Effect on noncontrolling interests (4)	22	4	31	
Effect on net income (loss) attributable to AGL	**Effect on net income (loss) attributable to AGL**	$ 10	$ 4	$ —	$
By Type of VIE	**By Type of VIE**				
FG VIEs	FG VIEs	$ 1	$ 3	$ 3	$

CIVs	CIVs	9	1	(3)	
Effect on net income (loss) attributable to AGL	**Effect on net income (loss) attributable to AGL**	$ 10	$ 4	$ —	$

(1) Changes in fair value of the FG VIEs' assets and liabilities that are attributable to factors other than (i) chan
available-for-sale fixed maturity securities.
(2) Represents the elimination of the equity in earnings (losses) of investees of AGAS and the other subsidiarie
(3) Includes net earned premiums, net investment income, asset management fees, foreign exchange gains (lo
(4) Represents the proportion of consolidated AssuredIM Funds' income that is not attributable to AGAS' or ar

The impact of consolidating FG VIEs and CIVs was $10 million in second quarter 2022, compared w
Item 1, Financial Statements, Note 1, Business and Basis of Presentation), and fair value gains asso

Reconciliation to GAAP

Reconciliation of Net Incom
to Adjusted Opera

		Second Quarter		Six Months	
		2022	**2021**	**2022**	
			(in millions)		
Net income (loss) attributable to AGL	**Net income (loss) attributable to AGL**	**$ (47)**	**$ 98**	**$ 19**	**$**
Less pre-tax adjustments:	Less pre-tax adjustments:				
Realized gains (losses) on investments	Realized gains (losses) on investments	(28)	4	(25)	
Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	6	(31)	3	
Fair value gains (losses) on CCS	Fair value gains (losses) on CCS	10	(6)	11	
Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	Foreign exchange gains (losses) on remeasurement of premiums receivable and loss and LAE reserves	(73)	5	(102)	
Total pre-tax adjustments	Total pre-tax adjustments	(85)	(28)	(113)	
Less tax effect on pre-tax adjustments	Less tax effect on pre-tax adjustments	8	6	12	
Adjusted operating income (loss)	Adjusted operating income (loss)	$ 30	$ 120	$ 120	$
Gain (loss) related to FG VIE and CIV consolidation, net of tax, included in adjusted operating income	Gain (loss) related to FG VIE and CIV consolidation, net of tax, included in adjusted operating income	$ 10	$ 4	$ —	$

Net Realized Investment Gains (Losses)

The table below presents the components of net realized investment gains (losses).

Net Realized Investr

		Second Quarter		Six Months	
		2022	2021	2022	20
		(in millions)			
Gross realized gains on sales available-for-sale securities	Gross realized gains on sales available-for-sale securities	$ —	$ 1	$ —	$
Gross realized losses on sales available-for-sale securities	Gross realized losses on sales available-for-sale securities	(21)	—	(23)	
Net foreign currency gains (losses)	Net foreign currency gains (losses)	(3)	1	(3)	
Change in credit impairment and intent to sell	Change in credit impairment and intent to sell	(4)	—	(9)	
Other net realized gains (losses)	Other net realized gains (losses)	—	2	10	
Net realized investment gains (losses)	Net realized investment gains (losses)	$ (28)	$ 4	$ (25)	$

Gross realized losses on sales of available-for-sale securities in second third quarter 2022 and six nine months months 2022 relate primarily to the sale of one of the Company's alternative investments.

Non-Credit Impairment-Related Unrealized Fair Value Gains (Losses) on Credit Derivatives

Changes in the fair value of credit derivatives occur because of changes in the Company's own credit ra expected terms, realized gains (losses) and other settlements, interest rates, and other market factors. The com expected losses are included in Insurance segment results. Non-credit impairment-related changes in unrealize adjusted operating income because they do not represent actual claims or losses and are expected to reverse to derivatives that do not reflect actual or expected claims or credit losses have no impact on the Company's statut credit derivatives may fluctuate significantly in future periods.

The impact of changes in credit spreads will vary based upon the volume, tenor, interest rates, and othe collateral and structural terms, the underlying change in fair value of each transaction may vary considerably. Th price to purchase credit protection on AGC. Due to the relatively low volume and characteristics of CDS contract CDS contracts. The Company determines its own credit risk based on quoted CDS prices traded on AGC at eac losses and the tightening of credit spreads of the underlying obligations results in unrealized gains. A widening o market credit spreads, while a narrowing of the CDS prices traded on AGC has an effect of offsetting unrealized

The valuation of the Company's credit derivative contracts requires the use of models that contain signifi determine fair value are primarily developed internally based on market conventions for similar transactions that and, as of June 30, 2022 September 30, 2022, market prices for the Company's credit derivative contracts were Company's own credit spread, and estimated contractual payments. See Item 1, Financial Statements, Note 9, F

Second Third quarter 2022 non-credit impairment unrealized fair value losses were generated primarily a
impairment-related impairment unrealized fair value losses on credit derivatives were generated primarily as a re

Third quarter 2021 non-credit impairment unrealized fair value gains on credit derivatives were mainly at
one RMBS transaction.

Nine months 2021 non-credit impairment unrealized fair value losses on credit derivatives were generated prima
protection increased during the period, and changes in discount rates. These gains were spreads, partially offset
certain underlying reference obligations. several CDS policies, including several trust preferred securities transac
(benefit) in the Insurance segment, the fair value adjustments on credit derivatives in the insured portfolio are no

Second quarter 2021 and six months 2021 non-credit impairment fair value losses on credit derivatives w
improvements of the underlying collateral.

Sensitivity to Changes in Credit Spread

The following table summarizes the estimated change in fair value on the net balance of the Company's
spread is affected by the spread of the underlying collateral and the credit spreads on AGC.

Effect of Changes

Credit Spreads (1)	Credit Spreads (1)	As of June 30, 2022 Estimated Net Fair Value (Pre-Tax)	As of June 30, 2022 Estimated Change in Gain (Loss) (Pre-Tax)	As of December 31, 2021 Estimated Net Fair Value (Pre-Tax)	As of December 31, 2021 Estimated Cl in Gain (Lo (Pre-Tax
		(in millions)			
Increase of 25 bps	Increase of 25 bps	$ (222)	$ (75)	$ (250)	$
Base Scenario	Base Scenario	(147)	—	(154)	
Decrease of 25 bps	Decrease of 25 bps	(83)	64	(83)	
All transactions priced at floor	All transactions priced at floor	(29)	118	(37)	

(1) Includes the effects of spreads on both the underlying asset classes and the Company's own credit spre

Fair Value Gains (Losses) on CCS

Fair value gains on CCS in second third quarter 2022 and six nine months 2022 were primarily due to a signific
primarily due to a tightening in market spreads during the periods. Fair value of CCS is heavily affected by, and i
are not expected to result in an economic gain or loss.

Foreign Exchange Gain (Loss) on Remeasurement

Foreign exchange gains and losses in all periods primarily relate to remeasurement of long-dated premiums r
to changes in the exchange rate of the pound sterling and, to a lesser extent, the euro relative to the U.S. dollar.

Non-GAAP Financial Measures

The Company discloses both: (a) financial measures determined in accordance with GAAP; and (b) finan
identified as non-GAAP should not be considered substitutes for GAAP financial measures. The primary limitatio
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 nec
on Assured Guaranty and for investors, analysts and the financial news media to evaluate Assured Guaranty's fi

GAAP requires the Company to consolidate entities where it is deemed to be the primary beneficiary which in

- FG VIEs, which the Company does not own and where its exposure is limited to its obligation un
- CIVs in which certain subsidiaries invest and which are managed by AssuredIM.

The Company discloses the effect of FG VIE and CIV consolidation that is embedded in each non-GAAP investors evaluating Assured

Guaranty's financial results. In the case of both the consolidated FG VIEs and the CIVs, the economic effect on t segment.

Management of the Company and AGL's Board of Directors use non-GAAP financial measures further a measures), as well as GAAP financial measures and other factors, to evaluate the Company's results of operatio decision-making process for and in its calculation of certain components of management compensation. The fina further adjusted to remove the effect of FG VIE and CIV consolidation; (2) adjusted operating shareholders' equi further adjusted to remove the effect of FG VIE and CIV consolidation; (4) PVP; and (5) gross third-party assets

Management believes that many investors, analysts and financial news reporters use adjusted operating shar consolidation, as the principal financial measures for valuing AGL's current share price or projected share price a believes that many of the Company's fixed income investors also use adjusted operating shareholders' equity, fu adequacy.

Adjusted operating income, further adjusted for the effect of FG VIE and CIV consolidation enables investors a distributed publicly by financial databases.

The following paragraphs define each non-GAAP financial measure disclosed by the Company and desc non-GAAP financial measure and the most directly comparable GAAP financial measure is presented below.

Adjusted Operating Income

Management believes that adjusted operating income is a useful measure because it clarifies the unders 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 cycles, can vary considerably across periods. The timing of sales is largely subject to the Compa

2) Elimination of non-credit impairment-related unrealized fair value gains (losses) on credit derivatives present value of the expected estimated economic credit losses, and non-economic payments. S the Company's credit spreads, and other market factors and are not expected to result in an eco

3) Elimination of fair value gains (losses) on the Company's CCS that are recognized in net income. Su on the Company's publicly traded debt, and other market factors and are not expected to result i

4) Elimination of foreign exchange gains (losses) on remeasurement of net premium receivables and lo represent the present value of future contractual or expected cash flows. Therefore, the current 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 th

See "— Results of Operations — Reconciliation to GAAP", for a reconciliation of net income (loss) attribu

Adjusted Operating Shareholders' Equity and Adjusted Book Value

Management believes that adjusted operating shareholders' equity is a useful measure because it excludes t gain or loss.

Adjusted operating shareholders' equity is defined as shareholders' equity attributable to AGL, as reported un

1) Elimination of non-credit impairment-related unrealized fair value gains (losses) on credit derivatives
estimated economic credit losses, and non-economic payments. Such fair value adjustments are
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 chan
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 comp
on the investment portfolio is not deemed economic because the Company generally holds thes

4) Elimination of the tax effects related to the above adjustments, which are determined by applying th

Management uses adjusted book value, further adjusted for FG VIE and CIV consolidation, to measure t
FG VIE and CIV consolidation (core adjusted book value), is one of the key financial measures used in determin
agencies and investors. Management believes that adjusted book value is a useful measure because it enables

net of expected losses. Adjusted book value is adjusted operating shareholders' equity, as defined above, furthe

1) Elimination of deferred acquisition costs, net. These amounts represent net deferred expenses that

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
earned premiums, net of the present value of expected losses to be expensed, which are not ref

4) Elimination of the tax effects related to the above adjustments, which are determined by applying th

The unearned premiums and revenues included in adjusted book value will be earned in future periods,
value due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults and other fact

Reconciliation of Shareholde
to Adjusted Operating Shareholder

		As of June 30, 2022				As of December 31, 202		
		After-Tax		Per Share		After-Tax		Per
		(dollars in millions, except share amounts)						
Shareholders' equity attributable to AGL	**Shareholders' equity attributable to AGL**	**$**	**5,304**	**$**	**84.89**	**$**	**6,292**	**$**
Less pre-tax adjustments:	Less pre-tax adjustments:							
Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives	Non-credit impairment-related unrealized fair value gains (losses) on credit derivatives		(51)		(0.82)		(54)	
Fair value gains (losses) on CCS	Fair value gains (losses) on CCS		34		0.55		23	

Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	(359)	(5.75)	404	
Less taxes	Less taxes	46	0.73	(72)	
Adjusted operating shareholders’ equity	Adjusted operating shareholders’ equity	5,634	90.18	5,991	
Pre-tax adjustments:	Pre-tax adjustments:				
Less: Deferred acquisition costs	Less: Deferred acquisition costs	139	2.22	131	
Plus: Net present value of estimated net future revenue	Plus: Net present value of estimated net future revenue	161	2.57	160	
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	3,366	53.89	3,402	
Plus taxes	Plus taxes	(594)	(9.51)	(599)	
Adjusted book value	Adjusted book value	$ 8,428	$ 134.91	8,823	1
Gain (loss) related to FG VIE and CIV consolidation included in:	Gain (loss) related to FG VIE and CIV consolidation included in:				
Adjusted operating shareholders’ equity (net of tax provision of $6 and $5)	Adjusted operating shareholders’ equity (net of tax provision of $6 and $5)	$ 26	$ 0.42	$ 32	$
Adjusted book value (net of tax provision of $3 and $3)		18	0.29	23	
Adjusted book value (net of tax provision of $4 and $3)					

Net Present Value of Estimated Net Future Revenue

Management believes that this amount is a useful measure because it enables an evaluation of the pres represents the net present value of estimated future revenue from these contracts (other than credit derivatives

Future installment premiums are discounted at the approximate average pre-tax book yield of fixed-maturity s recalculated annually and updated as necessary. Net present value of estimated future revenue for an obligation future revenue for the obligation, which may change due to changes in foreign exchange rates, prepayment spe 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 bus premiums on all new contracts underwritten in a reporting period as well as additional installment premiums and obligation the Company projected would be called), regardless of form, which management believes GAAP gros contracts written in a specified period is defined as gross upfront and installment premiums received and the pre

Future installment premiums are discounted at the approximate average pre-tax book yield of fixed-maturity s mitigation securities. The

discount rate is recalculated annually and updated as necessary. Under GAAP, financial guaranty installment pre premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the c installment premiums the Company expects to receive, which may be based upon a shorter period of time than t

Actual installment premiums may differ from those estimated in the Company's PVP calculation due to factors defaults, or other factors that affect par outstanding or the ultimate maturity of an obligation.

Reconciliation

		Second Quarter 2022					Second Quarter 2021			
		Public Finance		Structured Finance			Public Finance		Structured Finance	
		U.S.	Non - U.S.	U.S.	Non - U.S.	Total	U.S.	Non - U.S.	U.S.	Non - U.S.
						(in millions)				
GWP	**GWP**	**$ 57**	**$ 6**	**$ 1**	**$ 1**	**$ 65**	**$ 29**	**$ 44**	**$ 11**	**$ —**
Less: Installment GWP and other GAAP adjustments (1)	Less: Installment GWP and other GAAP adjustments (1)	—	6	1	1	8	—	24	11	—
Upfront GWP	Upfront GWP	57	—	—	—	57	29	20	—	—
Plus: Installment premiums and other (2)	Plus: Installment premiums and other (2)	—	18	—	1	19	—	23	9	—
PVP	PVP	$ 57	$ 18	$ —	$ 1	$ 76	$ 29	$ 43	$ 9	$ —

Six Months 2022					Six Months 2021			
Public Finance		Structured Finance			Public Finance		Structured Finance	
U.S.	Non - U.S.	U.S.	Non - U.S.	Total	U.S.	Non - U.S.	U.S.	Non - U.S.
				(in millions)				

GWP	**GWP**	**$ 106**	**$ 22**	**$ 6**	**$ 1**	**$ 135**	**$ 108**	**$ 49**	**$ 14**	**$ —**
Less: Installment GWP and other GAAP adjustments (1)	Less: Installment GWP and other GAAP adjustments (1)	—	22	4	1	27	34	27	12	—
Upfront GWP	Upfront GWP	106	—	2	—	108	74	22	2	—
Plus: Installment premiums and other (2)	Plus: Installment premiums and other (2)	—	30	—	7	37	36	24	9	—
PVP	PVP	$ 106	$ 30	$ 2	$ 7	$ 145	$ 110	$ 46	$ 11	$ —

____

(1) This includes Includes the present value of new business on installment policies discounted at the prescribe
other GAAP adjustments.

(2) This includes Includes the present value of future premiums and fees on new business paid in installments
calendar year, other than certain fixed-maturities such as loss mitigation securities. This also includes th
under GAAP, is accounted for under ASC Accounting Standards Codification (ASC) 460, *Guarantees.*

Insured Portfolio

The Company's financial guaranty and specialty exposures, as well as a guarantee are described in Iten

Financial Guaranty Exposure

The following tables present information in respect of the financial guaranty insured portfolio to supplement th

The following table presents the financial guaranty portfolio by sector, net of cessions to reinsurers. It inc
(i.e., credit derivative form or

traditional financial guaranty insurance form) or the applicable accounting model (i.e., insurance, derivative or FC

Financial Gua
Net Par Outstanding and Ave

		As of June 30, 2022		As of December 31,
Sector	**Sector**	**Net Par Outstanding**	**Average Rating**	**Net Par Outstanding**
		(dollars in millions)		
Public finance:	Public finance:			
U.S. public finance:	U.S. public finance:			
General obligation	General obligation	$ 72,741	A-	$ 72,896
Tax backed	Tax backed	34,853	A-	35,726
Municipal utilities	Municipal utilities	26,487	A-	25,556
Transportation	Transportation	18,916	BBB+	17,241
Healthcare	Healthcare	10,660	BBB+	9,588
Higher education	Higher education	6,904	A-	6,927
Infrastructure finance	Infrastructure finance	6,343	A-	6,329
Housing revenue	Housing revenue	980	BBB-	1,000

Investor-owned utilities	Investor-owned utilities	509	A-	611
Renewable energy	Renewable energy	183	A-	193
Other public finance	Other public finance	1,072	A-	1,152
Total U.S. public finance	Total U.S. public finance	179,648	A-	177,219
Non-U.S public finance:	Non-U.S public finance:			
Regulated utilities	Regulated utilities	17,666	BBB+	18,814
Infrastructure finance	Infrastructure finance	13,721	BBB	16,475
Sovereign and sub-sovereign	Sovereign and sub-sovereign	9,806	A+	10,886
Renewable energy	Renewable energy	2,104	A-	2,398
Pooled infrastructure	Pooled infrastructure	1,150	AAA	1,372
Total non-U.S. public finance	Total non-U.S. public finance	44,447	BBB+	49,945
Total public finance	Total public finance	224,095	A-	227,164
Structured finance:	Structured finance:			
U.S. structured finance:	U.S. structured finance:			
Life insurance transactions	Life insurance transactions	3,518	AA-	3,431
RMBS	RMBS	2,171	BB+	2,391
Pooled corporate obligations				
Financial products	Financial products	520	AA-	770
Pooled corporate obligations		510	AA+	534
Consumer receivables	Consumer receivables	505	A+	583
Other structured finance	Other structured finance	711	BBB+	665
Total U.S. structured finance	Total U.S. structured finance	7,935	A	8,374
Non-U.S. structured finance:	Non-U.S. structured finance:			
Pooled corporate obligations	Pooled corporate obligations	322	AAA	351
RMBS	RMBS	276	A-	325
Other structured finance	Other structured finance	184	AA	178
Total non-U.S structured finance	Total non-U.S structured finance	782	AA	854
Total structured finance	Total structured finance	8,717	A	9,228
Total net par outstanding	Total net par outstanding	$ 232,812	A-	$ 236,392

Second-to-pay insured par outstanding represents transactions the Company has insured that are alrea of such transactions arises only if both the obligor on the underlying insured obligation and the primary financial obligation without regard to the primary financial guaranty insurer and internally rates the transaction the higher

financial guarantor. The second-to-pay insured par outstanding as of June 30, 2022 September 30, 2022 and De where the ratings of the primary financial guaranty insurer and underlying insured transaction were BIG was $27

Exposure to Puerto Rico

The Company had insured exposure to general obligation bonds of the Commonwealth of Puerto Rico (Puerto aggregating $2.2 billion $2.1 billion net par outstanding as of June 30, 2022 September 30, 2022, all of which wa payments, and the Company has now paid claims on all of its Puerto Rico exposures except the Municipal Finan (U of PR).

The following tables present information in respect of the Puerto Rico exposures to supplement the discl

Exposure to Puerto
As of June 30, 2022

		Net Par Outstanding					
		AGM	AGC	AG Re	Eliminations (1)	Total Net Par Outstanding	C
				(in millions)			
Puerto Rico Exposures Subject to a Plan or Support Agreement	**Puerto Rico Exposures Subject to a Plan or Support Agreement**						
Commonwealth of Puerto Rico - GO (2)	Commonwealth of Puerto Rico - GO (2)	$ 6	$ 20	$ 11	$ —	$ 37	$
PBA (2)	PBA (2)	1	5	—	(1)	5	
Total GO/PBA Plan	**Total GO/PBA Plan**	7	25	11	(1)	42	
PRHTA (Transportation revenue)	PRHTA (Transportation revenue)	233	467	178	(79)	799	
PRHTA (Highway revenue)	PRHTA (Highway revenue)	381	51	25	—	457	
Total HTA/CCDA PSA		614	518	203	(79)	1,256	
Total HTA PSA							
Total Subject to a Plan or Support Agreement	**Total Subject to a Plan or Support Agreement**	**621**	**543**	**214**	**(80)**	**1,298**	
Other Puerto Rico Exposures	**Other Puerto Rico Exposures**						
PREPA	PREPA	469	69	210	—	748	
MFA (3)	MFA (3)	126	16	37	—	179	

PRASA and U of PR (3)	PRASA and U of PR (3)	—	2	—	—	2	
Total Other Puerto Rico Exposures	**Total Other Puerto Rico Exposures**	**595**	**87**	**247**	**—**	**929**	
Total exposure to Puerto Rico	**Total exposure to Puerto Rico**	**$ 1,216**	**$ 630**	**$ 461**	**$ (80)**	**$ 2,227**	**$**

(1) Net par outstanding eliminations relate to second-to-pay policies under which an Assured Guaranty insurar

(2) On March 15, 2022, the Modified Eighth Amended Title III Joint Plan of Adjustment, confirmed on January 18 directly insured Puerto Rico GO bonds, other than certain GO bonds whose holders made certain electio directly insured PBA bonds, other than certain PBA bonds whose holders made certain elections.

(3) All debt service on these insured exposures have been paid to date without any insurance claim being mad

The following tables show the scheduled amortization of the general obligation bonds of Puerto Rico and vario guarantees payments of debt service when those amounts are scheduled to be paid and cannot be required to p the shortfall between the debt service due in any given period and the amount paid by the obligors.

Amortization Schedule o
As of June 30, 2022

		Scheduled Net Par Amortization										
		2022 (3Q)	2022 (4Q)	2023	2024	2025	2026	2027 - 2031	2032 - 2036	2037 - 2041	2042	Total
		(in millions)										
Puerto Rico Exposures Subject to a Plan or Support Agreement	**Puerto Rico Exposures Subject to a Plan or Support Agreement**											
Commonwealth of Puerto Rico - GO	Commonwealth of Puerto Rico - GO	$ 10	$ —	$ —	$ —	$ —	$ 2	$ 25	$ —	$ —	$ —	$ 37
PBA	PBA	—	—	3	—	2	—	—	—	—	—	5
Total - GO/PBA Plan	**Total - GO/PBA Plan**	10	—	3	—	2	2	25	—	—	—	42
PRHTA (Transportation revenue)	PRHTA (Transportation revenue)	28	—	34	4	29	24	164	310	201	5	799
PRHTA (Highway revenue)	PRHTA (Highway revenue)	40	—	31	33	34	1	78	240	—	—	457
Total - HTA/CCDA PSA		68	—	65	37	63	25	242	550	201	5	1,256
Total - HTA PSA												
Total Subject to a Plan or Support Agreement	**Total Subject to a Plan or Support Agreement**	**78**	**—**	**68**	**37**	**65**	**27**	**267**	**550**	**201**	**5**	**1,298**

Other Puerto Rico Exposures	**Other Puerto Rico Exposures**											
PREPA	PREPA	28	—	95	93	68	106	332	26	—	—	748
MFA	MFA	43	—	23	18	18	37	40	—	—	—	179
PRASA and U of PR	PRASA and U of PR	—	—	—	1	—	—	—	1	—	—	2
Total Other Puerto Rico Exposures	**Total Other Puerto Rico Exposures**	**71**	**—**	**118**	**112**	**86**	**143**	**372**	**27**	**—**	**—**	**929**
Total	**Total**	**$ 149**	**$ —**	**$ 186**	**$ 149**	**$ 151**	**$ 170**	**$ 639**	**$ 577**	**$ 201**	**$ 5**	**$ 2,227**

Amortization Schedule of Ne

As of June 30, 2022

		Scheduled Net Debt Service Amortization										
		2022 (3Q)	**2022 (4Q)**	**2023**	**2024**	**2025**	**2026**	**2027 - 2031**	**2032 - 2036**	**2037 - 2041**	**2042**	**Total**
		(in millions)										
Puerto Rico Exposures Subject to a Plan or Support Agreement	**Puerto Rico Exposures Subject to a Plan or Support Agreement**											
Commonwealth of Puerto Rico - GO	Commonwealth of Puerto Rico - GO	$ 11	$ —	$ 2	$ 2	$ 1	$ 3	$ 28	$ —	$ —	$ —	$ 47
PBA	PBA	—	—	3	—	2	—	—	—	—	—	5
Total - GO/PBA Plan	**Total - GO/PBA Plan**	11	—	5	2	3	3	28	—	—	—	52
PRHTA (Transportation revenue)	PRHTA (Transportation revenue)	48	—	73	42	67	61	323	423	237	5	1,279
PRHTA (Highway revenue)	PRHTA (Highway revenue)	52	—	54	52	53	18	159	279	—	—	667
Total - HTA/CCDA PSA		100	—	127	94	120	79	482	702	237	5	1,946
Total - HTA PSA												
Total Subject to a Plan or Support Agreement	**Total Subject to a Plan or Support Agreement**	**111**	**—**	**132**	**96**	**123**	**82**	**510**	**702**	**237**	**5**	**1,998**
Other Puerto Rico Exposures	**Other Puerto Rico Exposures**											
PREPA	PREPA	43	3	128	122	92	126	381	29	—	—	924
MFA	MFA	48	—	29	24	22	41	45	—	—	—	209
PRASA and U of PR	PRASA and U of PR	—	—	—	1	—	—	—	1	—	—	2

Total Other Puerto Rico Exposures	Total Other Puerto Rico Exposures	91	3	157	147	114	167	426	30	—	—	1,135
Total	Total	$ 202	$ 3	$ 289	$ 243	$ 237	$ 249	$ 936	$ 732	$ 237	$ 5	$ 3,133

Financial Guaranty Exposure to U.S. RMBS

The following table presents information in respect of the U.S. RMBS exposures to supplement the discl
Expected Loss to be Paid (Recovered). U.S. RMBS exposures represent 0.9% of the total net par outstanding, a

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

Year insured:	Year insured:	Prime First Lien	Alt-A First Lien	Option ARMs	Subprime First Lien	Second Lien	Total N Outsta
				(in millions)			
2004 and prior	2004 and prior	$ 10	$ 9	$ —	$ 367	$ 17	$
2005	2005	23	129	16	188	60	
2006	2006	28	27	1	48	117	
2007	2007	—	205	17	716	160	1
2008	2008	—	—	—	33	—	
Total exposures	Total exposures	$ 61	$ 370	$ 34	$ 1,352	$ 354	$ 2
Exposures rated BIG	Exposures rated BIG	$ 41	$ 217	$ 16	$ 791	$ 120	$ 1

Liquidity and Capital Resources

AGL and its U.S. Holding Companies

AGL directly owns (i) AG Re, an insurance company domiciled in Bermuda; and (ii) AGUS, a U.S. holdin
AGMH, a U.S. holding company with public debt outstanding. AGMH directly owns AGM, an insurance subsidiar

Sources and Uses of Funds

The liquidity of AGL and its U.S. Holding Companies is largely dependent on dividends from their operat
dividend restrictions) and their access to external financing. The operating liquidity requirements of AGL and the

- principal and interest on debt issued by AGUS and AGMH;
- dividends on AGL's common shares; and
- the payment of operating expenses.

AGL and its U.S. Holding Companies may also require liquidity to:

- make capital investments in their operating subsidiaries;
- fund acquisitions of new businesses;
- purchase or redeem the Company's outstanding debt; or
- repurchase AGL's common shares pursuant to AGL's share repurchase authorization.

In the ordinary course of business, the Company evaluates its liquidity needs and capital resources in lig
also subjects its cash flow projections and its assets to a stress test, maintaining a liquid asset balance of one tir
satisfy its needs over the next twelve months. See "— Overview— Key Business Strategies, Capital Managemen

Long-Term Debt Obligations

The Company has outstanding long-term debt issued by the U.S. Holding Companies. See Part II, Item
Company's Annual Report on Form 10-K for the year ended December 31, 2021, and *Guarantor and U.S. Holdi*

U.S. Holding
Long-Term Debt and

		Effective Interest Rate	Final Maturity	As of June 30, 2022	As of Dece 202
				(in millions)	
				Principal Amount	
AGUS - long-term debt	AGUS - long-term debt				
7% Senior Notes	7% Senior Notes	6.40%	2034	$ 200	$
5% Senior Notes	5% Senior Notes	5.00%	2024	330	
3.15% Senior Notes	3.15% Senior Notes	3.15%	2031	500	
3.6% Senior Notes	3.6% Senior Notes	3.60%	2051	400	
Series A Enhanced Junior Subordinated Debentures	Series A Enhanced Junior Subordinated Debentures	3 month LIBOR +2.38%	2066	150	
AGUS long-term debt subtotal	AGUS long-term debt subtotal			1,580	1
AGUS - intercompany loans from insurance subsidiaries	AGUS - intercompany loans from insurance subsidiaries				
AGC and AGM	AGC and AGM	3.50%	2030	250	
AGRO	AGRO	6 month LIBOR +3.00%	2023	20	
AGUS intercompany loans subtotal	AGUS intercompany loans subtotal			270	
Total AGUS	**Total AGUS**			1,850	1
AGMH	AGMH				
Junior Subordinated Debentures	Junior Subordinated Debentures	6.40%	2066	300	
Total AGMH	**Total AGMH**			300	
AGMH's long-term debt purchased by AGUS (1)	AGMH's long-term debt purchased by AGUS (1)			(154)	
U.S. Holding Company debt	**U.S. Holding Company debt**			$ 1,996	$ 1

(1) Represents principal amount of Junior Subordinated Debentures issued by AGMH that has been purchase

The Series A Enhanced Junior Subordinated Debentures pay interest based on LIBOR. If the AGMH Ju
outstanding debentures will bear interest at one-month LIBOR plus 2.215%. The continuation of LIBOR on the c
adversely impacted by the transition from LIBOR as a reference rate" under Operational Risks in Part 1, Item 1A

From time to time, AGL and its subsidiaries have entered into intercompany loan facilities. For example, which AGL may, from time to time, borrow for general corporate purposes. Under the credit facility, AGUS comm revolving credit facility terminates on October 25, 2023 (the loan commitment termination date). The unpaid prin interest rate as determined under Internal Revenue Code Section 1274(d). Accrued interest on all loans will be p amounts of the loans, if any, by the third anniversary of the loan commitment termination date. AGL has not draw

For more information, see the Company's 2021 Annual Report on Form 10-K, Part II. Item 8. Financial S *Guarantor and U.S. Holding Companies' Summarized Financial Information*

AGL fully and unconditionally guarantees the payment of the principal of, and interest on, the $1,430 mil principal amount of junior subordinated debentures issued by the U.S. Holding Companies, and the intercompan Companies, excluding their investments in subsidiaries.

		As of June 30, 2022	
		AGL	U.S. Holding Comp
		(in millions)	
Assets	**Assets**		
Fixed-maturity securities (1)	Fixed-maturity securities (1)	$ 78	$
Short-term investments, other invested assets and cash	Short-term investments, other invested assets and cash	46	
Receivables from affiliates (2)	Receivables from affiliates (2)	33	
Receivable from U.S. Holding Companies	Receivable from U.S. Holding Companies	45	
Other assets	Other assets	5	
Liabilities	**Liabilities**		
Long-term debt	Long-term debt	—	1,6
Loans payable to affiliates	Loans payable to affiliates	—	2
Payable to affiliates (2)	Payable to affiliates (2)	8	
Payable to AGL	Payable to AGL	—	
Other liabilities	Other liabilities	5	

(1) As of June 30, 2022 September 30, 2022, weighted average durations of AGL's and the U.S. Holding Comp and 5.0 4.8 years, respectively.

(2) Represents receivable and payables with non-guarantor subsidiaries.

		Six Months 2022	
		AGL	U.S. Holding Co
		(in millions)	
Revenues	**Revenues**	$ 2	$
Expenses	**Expenses**		
Interest expense	Interest expense	—	
Other expenses	Other expenses	22	
Income (loss) before provision for income taxes and equity in earnings (losses) of investees	**Income (loss) before provision for income taxes and equity in earnings (losses) of investees**	(20)	

Net income (loss) **Net income (loss)** (20)

The following table presents significant cash flow items for AGL and the U.S. Holding Companies (other
for debt service, dividends and other capital management activities.

AGL and U.S. Ho
Significant Ca

		Six Months 2022			
		AGL		U.S. Holding Compa	
		(in millions)			
Dividends received from subsidiaries (1)	Dividends received from subsidiaries (1)	$	300	$	24
Interest paid	Interest paid		—		(3
Investments in subsidiaries	Investments in subsidiaries		—		(1
Return of capital from subsidiaries					
Dividends paid to AGL	Dividends paid to AGL		—		(30
Dividends paid	Dividends paid		(33)		-
Repurchases of common shares (2)	Repurchases of common shares (2)		(303)		-

(1) AGL's dividends include dividends from AGUS.
(2) See Item 1, Financial Statements, Note 14, Shareholders' Equity, for additional information about share rep

Generally, dividends paid by a U.S. company to a Bermuda holding company are subject to a 30% withh
companies resident in the U.K., including the benefits afforded by the U.K.'s tax treaties. The income tax treaty b
income (to 5% or 0%), including dividends from U.S. subsidiaries to U.K. resident persons entitled to the benefits

For more information, see also Part II, Item 8. Financial Statements and Supplementary Data, Note 13, I
December 31, 2021.

External Financing

From time to time, AGL and its subsidiaries have sought external debt or equity financing in order to mee
the cost of such financing may not be acceptable to the Company.

Insurance Subsidiaries

The Company has several insurance subsidiaries. The U.S. Insurance Subsidiaries consist of AGM and
company domiciled in France. AGUK and AGE are collectively referred to as the European Insurance Subsidiari
domiciled in Bermuda.

Sources and Uses of Funds

Liquidity of the insurance subsidiaries is primarily used to pay for:

- operating expenses,
- claims on the insured portfolio,
- dividends or other distributions to AGL, AGUS and/or AGMH, as applicable,
- reinsurance premiums,
- principal of, and interest on, surplus notes, where applicable, and
- capital investments in their own subsidiaries, where appropriate.

Management believes that the insurance subsidiaries' liquidity needs for the next twelve months can be met fr payments as well as scheduled maturities and paydowns from their respective investment portfolios, although th provide short-term liquidity for the payment of insurance claims it anticipates making in connection with the futur including cash and short-term securities, U.S. Treasuries, agency RMBS and

pre-refunded municipal bonds equal to 1.5 times its projected operating company cash flow needs over the next hold securities in an unrealized loss position until the date of anticipated recovery of amortized cost.

Beyond the next twelve months, the ability of the operating subsidiaries to declare and pay dividends ma case of the Company's insurance subsidiaries, insurance regulations and rating agency capital requirements.

Financial Guaranty Policies

Insurance policies issued provide, in general, that payments of principal, interest and other amounts insu typically in accordance with the obligation's original payment schedule, unless the Company accelerates such pa in installments over the life of the insured obligations.

Payments made in settlement of the Company's obligations arising from its insured portfolio may, and of defaults and whether the Company chooses to accelerate its payment obligations in order to mitigate future loss stress from direct and indirect consequences of COVID-19

for most obligors and assets underlying obligations guaranteed by the Company, the pandemic may still result in entities that were already experiencing significant budget deficits and pension funding and revenue shortfalls, as and travel restrictions or an economic downturn, are most at risk for increased claims. The size and depth of the private responses to it, and the effectiveness and acceptance of vaccines and therapeutics for it, remain unknow pandemic.

In addition, as of June 30, 2022 September 30, 2022, the Company has financial guaranty exposure to t corporations aggregating $2.2 billion $2.1 billion net par outstanding, all of which is rated BIG. As set forth in Iten exposure to PRHTA is subject to a plan of adjustment filed by the FOMB with the Title III Federal District Court of connection with the consummation of the HTA Plan, should consummation occur, and is taking this into account

While the Company has the capacity to generate sufficient liquidity internally to fund the full amount of the gro short-term loan facility to partially fund such gross claim payments until it sells the securities it expects to receive description of the secured short-term facility it used to partially fund the claim payments it made in connection wi

In connection with the acquisition of AGMH, AGM agreed to retain the risks relating to the debt and strip transit agency) transfers tax benefits to a tax-paying entity by transferring ownership of a depreciable asset, such

If the lease is terminated early, the tax-exempt entity must make an early termination payment to the les closing of the leveraged lease transaction (along with earnings on those invested funds). The tax-exempt entity i coverage) from its own sources. AGM issued financial guaranty insurance policies (known as strip policies) that entity defaulted on its obligation to pay this portion of its early termination payment. Following such events, AGM transferred depreciable asset and reimburse itself from the sale proceeds.

Currently, all the leveraged lease transactions in which AGM acts as strip coverage provider are breachi does not result in a draw on

the AGM policy if the tax-exempt entity makes the required termination payment. If all the leases were to termina exposed to possible liquidity claims on gross exposure of approximately $436 million $429 million as of June 30, an early termination due to a lease default and a claim on the AGM policy. As of June 30, 2022 September 30, 2 consensual basis. The consensual terminations have resulted in no claims on AGM.

The terms of the Company's CDS contracts generally are modified from standard CDS contract forms ap scheduled "pay-as-you-go" basis and to replicate the terms of a traditional financial guaranty insurance policy. Th bankrupt or if the reference obligation were restructured. Furthermore, some CDS documentation requires the C

the credit derivative. If events of default or termination events specified in the credit derivative documentation we
such termination. Any such payment would probably occur prior to the maturity of the reference obligation and b

Distributions From Insurance Subsidiaries

The Company anticipates that, for the next twelve months, amounts paid by AGL's direct and indirect insuranc insurance subsidiaries' ability to pay dividends depends upon their financial condition, results of operations, cash subject to restrictions contained in the insurance laws and related regulations of their states of domicile. For mor Regulatory Requirements, of the Company's Annual Report on Form 10-K for the year ended December 31, 202

Dividend restrictions by insurance subsidiary are as follows:

- The maximum amount available during 2022 for AGM (a subsidiary of AGMH) to distribute as divide approximately $77 million $93 million is available for distribution in the third fourth quarter of 2022.
- The maximum amount available during 2022 for AGC (a subsidiary of AGUS) to distribute as ordinar distribution in the third fourth quarter of 2022.
- Based on the applicable law and regulations, in 2022 AG Re (a subsidiary of AGL) has the capacity Bermuda Monetary Authority (the Authority) and (ii) declare and pay dividends in an aggregate amou limited by (i) the actual amount of AG Re's unencumbered assets, which amount changes from time of June 30, 2022 September 30, 2022, and (ii) the amount of statutory surplus, which as of June 30,
- Based on the applicable law and regulations, in 2022 AGRO (an indirect subsidiary of AG Re) has th the Authority and (ii) declare and pay dividends in an aggregate amount up to approximately $106 m of AGRO's unencumbered assets, which amount changes from time to time due in part to collateral 2022, and (ii) the amount of statutory surplus, which as of June 30, 2022 September 30, 2022 was $

Distributions From Insura

		Second Quarter				Six Months			
		2022		2021		2022		202	
		(in millions)							
Dividends paid by AGC to AGUS	Dividends paid by AGC to AGUS	$	24	$	24	$	149	$	
Dividends paid by AGM to AGMH	Dividends paid by AGM to AGMH		—		—		96		

Ratings Impact on Financial Guaranty Business

A downgrade of one of AGL's insurance subsidiaries may result in increased claims under financial guar insured obligors, and the insured obligors are unable to pay. See Part II, Item 8, Financial Statements and Suppl for the year ended December 31, 2021.

Assumed Reinsurance

Some of the Company's insurance subsidiaries (Assuming Subsidiaries) assumed financial guaranty ins assumed such business are generally subject to termination at the option of the ceding company (a) if the Assum maintain a specified minimum financial strength rating; or (c) upon certain changes of control of the Assuming S

Subsidiary typically would be required to return to the ceding company unearned premiums (net of ceding comm certain cases, an additional required amount), after which the Assuming Subsidiary would be released from liabi

As of June 30, 2022 September 30, 2022, if each third-party company ceding business to an Assuming S
those subsidiaries could be required to pay to all such ceding companies would be approximately $267 million $2

Committed Capital Securities

Each of AGC and AGM have entered into put agreements with four separate custodial trusts allowing each of
preferred securities to the trusts in exchange for cash. Each custodial trust was created for the primary purpose
options with AGC or AGM, as applicable. The Company is not the primary beneficiary of the trusts and therefore

The trusts provide AGC and AGM access to new equity capital at their respective sole discretion through
its portfolio of eligible assets and use the proceeds to purchase AGC or AGM preferred stock, as applicable. AG
payment of claims. The put agreements have no scheduled termination date or maturity. However, each put agre
have the ability to exercise their respective put options and cause the related trusts to purchase their preferred s

Prior to 2008 or 2007, the amounts paid on the CCS were established through an auction process. All of
The annualized rate on the AGC CCS is one-month LIBOR plus 250 bps, and the annualized rate on the AGM C
Executive Summary — Other Matters — LIBOR Sunset" above and the Risk Factor captioned "The Company m
Item 1A, Risk Factors, in the Company's Annual Report on Form 10-K for the year ended December 31, 2021.

Investment Portfolio

The Company's principal objectives in managing its investment portfolio are to support the highest possi
of insurance risk, to maintain sufficient liquidity to cover unexpected stress in the insurance portfolio, and to max
external parties. Each of the three external investment managers must maintain a minimum average rating of A+
Ratings Inc., respectively.

Changes in interest rates affect the value of the Company's fixed-maturity securities. As interest rates fa
maturity securities generally decreases. The Company's portfolio of fixed-maturity securities primarily consists of
information about the Investment Portfolio and a detailed description of the Company's valuation of investments,

Invest
Carryin

			As of		
			June 30, 2022		December 31, 202
			(in millions)		
Fixed-maturity securities, available-for-sale (1)	Fixed-maturity securities, available-for-sale (1)	$	7,396	$	8,202
Fixed-maturity securities, trading (2)	Fixed-maturity securities, trading (2)		87		—
Short-term investments	Short-term investments		863		1,225
Other invested assets	Other invested assets		150		181
Total	Total	$	8,496	$	9,608

(1) As of June 30, 2022 September 30, 2022, fixed maturity securities includes $241 million $64 million of new
(2) Represents CVIs received under the March Puerto Rico Resolutions. Resolutions and the HTA PSA.

The Company's available-for-sale fixed-maturity securities had a duration of 4.3 4.1 years and 4.7 years

Available-for-Sale Fixed-Maturity Securities By Contractual Maturity

The amortized cost and estimated fair value of the Company's available-for-sale fixed-maturity securities
borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

Distribution of Available-for-Sale Fixed-M
As of June 30, 2022

		Amortized Cost	Estimated Fair Value
		(in millions)	
Due within one year	Due within one year	$ 186	$ 18
Due after one year through five years	Due after one year through five years	1,902	1,81
Due after five years through 10 years	Due after five years through 10 years	1,739	1,65
Due after 10 years	Due after 10 years	3,254	3,07
Mortgage-backed securities:	Mortgage-backed securities:		
RMBS	RMBS	419	36
Commercial mortgage-backed securities (CMBS)	Commercial mortgage-backed securities (CMBS)	303	29
Total	Total	$ 7,803	$ 7,39

Available-for-Sale and Trading Fixed-Maturity Securities By Rating

The following table summarizes the ratings distributions of the Company's available-for-sale fixed-maturi
Moody's and S&P classifications, except for bonds purchased for loss mitigation and certain other securities, wh
received under the March Puerto Rico Resolutions.

Distribution of Available-for-S

		As of	
Rating	Rating	June 30, 2022	December 31, 202
AAA	AAA	14.6 %	14.6
AA	AA	38.1	38.2
A	A	24.0	25.1
BBB	BBB	11.8	13.7
BIG (1)	BIG (1)	7.4	7.5
Not rated (2)	Not rated (2)	4.1	0.9
Total	Total	100.0 %	100.0

(1) Includes primarily loss mitigation securities. See Item 1, Financial Statements, Note 7, Investments, for a

(2) As of June 30, 2022 September 30, 2022, primarily represent new recovery bonds received in connectio

The Company also had $393 million in trading fixed-maturity securities as of September 30, 2022 repres

Other Investments

Other invested assets, which are generally less liquid than fixed-maturity securities managed by externa
investments in renewable and clean energy and private equity funds managed by a third party.

The Insurance segment reports AGAS's AGAS' percentage ownership of AssuredIM Funds' as equity me
June 30, 2022 September 30, 2022 and December 31, 2021, all of the funds in which AGAS invests are consolid
value of AGAS's AGAS' interests in the AssuredIM Funds. See *Commitments* below.

Fair Value of AGAS's AGAS'

Strategy	Strategy	As of June 30, 2022	December 31, 2021
		(in millions)	
CLOs	CLOs	$ 262	$ 228
Municipal bonds	Municipal bonds	103	107
Healthcare	Healthcare	74	115
Asset-based	Asset-based	110	93
Total	Total	$ 549	$ 543

Equity in Earnings (Losses) of Investees of AG

Strategy	Strategy	Second Quarter 2022	2021	Six Months 2022	20
		(in millions)			
CLOs	CLOs	$ (23)	$ 11	$ (16)	$
Municipal bonds	Municipal bonds	—	1	(4)	
Healthcare	Healthcare	(12)	23	(9)	
Asset-based	Asset-based	2	2	7	
Total	Total	$ (33)	$ 37	$ (22)	$

Restricted Assets

Based on fair value, investments and other assets that are either held in trust for the benefit of third-party cedi or otherwise pledged or restricted, totaled $217 million $211 million and $243 million as of June 30, 2022 Septem held in trust by certain AGL subsidiaries or otherwise restricted for the

benefit of other AGL subsidiaries in accordance with statutory and regulatory requirements in the amount of $1,1 December 31, 2021, respectively.

Commitments

The U.S. Insurance Subsidiaries are authorized to invest up to $750 million in AssuredIM Funds. Adding AssuredIM Funds. As of June 30, 2022 September 30, 2022, the Insurance segment had total commitments to A and $241 million $219 million was undrawn. The Company had unfunded commitments of $96 million $92 million AssuredIM Funds.

AssuredIM

Sources and Uses of Funds

AssuredIM's sources of liquidity are: (1) cash from operations, including management and performance fees (million in six nine months 2022 and six nine months 2021, respectively, had been contributed to supplement cash investments.

AssuredIM's liquidity needs primarily include: (1) paying operating expenses including compensation; (2) payi management business. In third quarter 2022 and 2021, AssuredIM distributed $8.8 million to AGUS to fund AGUS's interest payment on its BlueMountain Acquisition.

Lease Obligations

The Company has entered into several lease agreements for office space in Bermuda, New York, San F

London, Paris, and other locations with various lease terms. See Part II, Item 8, Financial Statements and Suppl
31, 2021, for a table of minimum lease obligations and other lease commitments.

FG VIEs and CIVs

The Company manages its liquidity needs by evaluating cash flows without the effect of consolidating FG VIEs
VIEs and CIVs. The primary sources and uses of cash at Assured Guaranty's FG VIEs and CIVs are as follows:

- *FG VIEs.* The primary sources of cash in FG VIEs are the collection of principal and interest on the colla on the debt obligations. The insurance subsidiaries are not primarily liable for the debt obligations issued

  and would only be required to make payments on those insured debt obligations in the event that the iss AGL's and its insurance subsidiaries' creditors do not have any rights with regard to the collateral suppo debt service on the assets in the trusts and the primary use of cash is the payment of the trusts debt obli

- *CIVs.* The primary sources and uses of cash in the CIVs are raising capital from investors, using capital investors and issuing debt or borrowing funds to finance investments (CLOs and warehouses). The asse available to creditors of the Company, other than creditors of the applicable CIVs. In addition, creditors o Liquidity available at the Company's CIVs is not available for corporate liquidity needs, except to the ext

  See Item. 1, Financial Statements, Note 8, Financial Guaranty Variable Interest Entities and Consolidate

Credit Facilities of CIVs

Certain of the Company's CIVs have entered into financing arrangements with financial institutions, gene
the investments purchased with the proceeds of the borrowing and/or the uncalled capital commitment of each r
are not available for the benefit of other investment vehicles or Assured Guaranty subsidiaries. Collateral within
borrowings of other investment vehicles or Assured Guaranty subsidiaries.

As of June 30, 2022 September 30, 2022, these credit facilities had varying maturities ranging from Sept
billion. The available commitment was based on the amount of equity contributed to the warehouse which was $
under credit facilities with the interest rates ranging from 3-month Euribor plus 100 150 basis points (bps) to 3-m
compliance with all financial covenants as of June 30, 2022 September 30, 2022.

As of June 30, 2022 September 30, 2022, a consolidated healthcare fund was a party to a credit facility (
the aggregate principal amount not to exceed $110 million jointly and $71 million individually for the consolidated
June 30, 2022 September 30, 2022, $18 million $62 million was drawn down by the consolidated fund under the
financial covenants as of June 30, 2022 September 30, 2022.

Condensed Consolidated Cash Flows

The summarized condensed consolidated statements of cash flow in the table below presents the cash flow e
from the aggregate effect of FG VIEs and CIVs.

Condensed Consolidat

	Second Quarter		Six Months	
	2022	2021	2022	2
	(in millions)			

Net cash flows provided by (used in) operating activities, before effect of FG VIEs and CIVs consolidation	Net cash flows provided by (used in) operating activities, before effect of FG VIEs and CIVs consolidation	$ 19	$ 88	$ (621)	$
Effect of FG VIEs and CIVs consolidation (1)	Effect of FG VIEs and CIVs consolidation (1)	(921)	(571)	(1,173)	
Net cash flows provided by (used in) operating activities	**Net cash flows provided by (used in) operating activities**	**(902)**	**(483)**	**(1,794)**	
Net cash flows provided by (used in) investing activities, before effect of FG VIEs and CIVs consolidation	Net cash flows provided by (used in) investing activities, before effect of FG VIEs and CIVs consolidation	150	(424)	981	
Effect of FG VIEs and CIVs consolidation (1)	Effect of FG VIEs and CIVs consolidation (1)	58	43	77	
Net cash flows provided by (used in) investing activities	**Net cash flows provided by (used in) investing activities**	**208**	**(381)**	**1,058**	
Net cash flows provided by (used in) financing activities, before effect of FG VIEs and CIVs consolidation	Net cash flows provided by (used in) financing activities, before effect of FG VIEs and CIVs consolidation				
Dividends paid	Dividends paid	(16)	(17)	(33)	
Repurchases of common shares	Repurchases of common shares	(151)	(88)	(303)	
Issuance of long-term debt, net of issuance costs	Issuance of long-term debt, net of issuance costs	—	495	—	
Other		4	(2)	(6)	
Redemptions and purchases of debt, including make-whole					
Net cash flows provided by (used in) financing activities before effect of VIE consolidation					
Effect of FG VIEs and CIVs consolidation (1)	Effect of FG VIEs and CIVs consolidation (1)	832	426	1,001	

Net cash flows provided by (used in) financing activities (2)	**Net cash flows provided by (used in) financing activities (2)**	**669**	**814**	**659**	
Effect of exchange rate changes	Effect of exchange rate changes	(1)	—	(2)	
Increase (decrease) in cash and cash equivalents and restricted cash	Increase (decrease) in cash and cash equivalents and restricted cash	(26)	(50)	(79)	
Cash and cash equivalents and restricted cash at beginning of period	Cash and cash equivalents and restricted cash at beginning of period	289	346	342	
Cash and cash equivalents and restricted cash at the end of the period	**Cash and cash equivalents and restricted cash at the end of the period**	**$ 263**	**$ 296**	**$ 263**	**$**

(1) This includes the effects of consolidating FG VIEs and CIVs.
(2) Claims paid on consolidated FG VIEs are presented in the condensed consolidated statements of cash flov

Cash flows from operations, excluding the effect of consolidating VIEs, was an outflow of $621 million $534 mi increase in cash outflows during 2022 was primarily due to claim payments made net of cash recoveries receive PSA as well as higher tax payments. See Item 1. Financial Statements, Note 3, Outstanding Exposure, for additi and 2021 due to the inclusion of investing activities of CIVs, which included cash outflows for purchases of inves

Investing activities primarily consisted of net sales (purchases) of fixed-maturity and short-term investments, a attributable to lower purchases and higher disposals of fixed-maturity securities and sales of short-term investme Puerto Rico Resolutions. See Item 1. Financial Statements, Note 3, Outstanding Exposure, for additional informa

Financing activities primarily consist of share repurchases, dividends, and paydowns of FG VIEs' liabiliti included the issuance of 3.15% Senior Notes and 3.6% Senior Notes, and redemptions of a portion of AGMH an increase decrease in financing cash flow activity from VIEs was primarily due to the consolidation of an additiona

decrease in issuances by the consolidated CLOs and CLO and securitization of a previously consolidated CLO v and Consolidated Investment Vehicles.

From July October 1 through August 3, 2022 November 7, 2022, the Company repurchased an additiona authorized to purchase $365 million $261 million of its common shares. For more information about the Compan

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

As of June 30, 2022 September 30, 2022, there were no material changes to the market risks to which th

ITEM 4. CONTROLS AND PROCEDURES

Assured Guaranty's management, with the participation of AGL's President and Chief Executive Officer a (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) that are effective in recording, processing rules and forms, information required to be disclosed by AGL in the reports that it files or submits under the Exch President and Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regard

Management of the Company, with the participation of its President and Chief Executive Officer and Chi
30, 2022 September 30, 2022. Based on their evaluation as of June 30, 2022 September 30, 2022 covered by th
that the Company's disclosure controls and procedures were effective.

There were no changes in the Company's internal control over financial reporting during second third quarter 2
the Exchange Act, that have materially affected, or are reasonably likely to materially affect, the Company's inter

PART II. OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The Company is subject to legal proceedings and claims, as described in Part I, Item 1, Financial Statements,
information see the "Legal Proceedings" and "Litigation" sections of Part II, Item 8, Financial Statements and Su
for the year ended December 31, 2021.

ITEM 1A. RISK FACTORS

See the risk factors set forth in Part I, "Item 1A. Risk Factors" of the Company's Annual Report on Form 10-K
such Annual Report on Form 10-K.

ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Issuer's Purchases of Equity Securities

The following table reflects purchases of AGL common shares made by the Company during second thir

Period	Total Number of Shares Purchased	
April 1 - April 30	861,529	$
May 1 - May 31	877,534	$
June 1 - June 30	877,852	$
Total	2,616,915	$

Period	Total Number of Shares Purchased	
July 1 - July 31	551,926	$
August 1 - August 31	566,537	$
September 1 - September 30	673,676	$
Total	1,792,139	$

(1) After giving effect to repurchases since the Board first authorized the repurchase program on January 18, 2
common shares for approximately $4.5 billion $4.6 billion, excluding commissions, at an average price o
authorized an additional $250 million of share repurchases. As of August 3, 2022 November 7, 2022, the
shares, on a settlement basis. The repurchase program has no expiration date and the Board has previo

(2) Excludes commissions.

ITEM 6. EXHIBITS

The following exhibits are filed with this report:

Exhibit Number	
22.0	Subsidiary Companies and Issuers of GuaranteedGuaranteed Securities (Incorporated by
31.1	Certification of CEO Pursuant to Exchange Act Rules 13A-14 and 15D-14, as Adopted Pu
31.2	Certification of CFO Pursuant to Exchange Act Rules 13A-14 and 15D-14, as Adopted Pu
32.1	Certification of CEO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section
32.2	Certification of CFO Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section
101.1	The following financial information from Assured Guaranty Ltd.'s Quarterly Report on Form Consolidated Balance Sheets as of June 30, 2022 September 30, 2022 and December 31 30, 2022 September 30, 2022 and 2021; (iii) Condensed Consolidated Statements of Con Condensed Consolidated Statements of Shareholders' Equity for the three and six nine m Flows for the six nine months ended June 30, 2022 September 30, 2022 and 2021; and (v
104.1	The Cover Page Interactive Data File from Assured Guaranty Ltd.'s Quarterly Report on F XBRL tags are embedded in the Inline XBRL document and included in Exhibit 101).

SIGNA

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused thi

ASSURI
(Registr

Dated August 4, 2022 November 8, 2022

By:

134

Assured Gu
CERTIFICATION
SECTION 302 OF THE SARB

I, Dominic J. Frederico, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Assured Guaranty Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a mate misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly prese periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and proce consolidated subsidiaries, is made known to us by others within those entities, particularly during the perio

(b) Designed such internal control over financial reporting, or caused such internal control over financ
reporting and the preparation of financial statements for external purposes in accordance with generally ac

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented i
covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that
report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal contro

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control
performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control o
and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a sig

By: /s/

Do
Pre

Date: August 4, 2022 November 8, 2022

Assured Gu
CERTIFICATION
SECTION 302 OF THE SARB

I, Robert A. Bailenson, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Assured Guaranty Ltd.

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a mate
misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly prese
periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and
defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

(a) Designed such disclosure controls and procedures, or caused such disclosure controls and proce
consolidated subsidiaries, is made known to us by others within those entities, particularly during the period

(b) Designed such internal control over financial reporting, or caused such internal control over financ
reporting and the preparation of financial statements for external purposes in accordance with generally ac

(c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented
covered by this report based on such evaluation; and

(d) Disclosed in this report any change in the registrant's internal control over financial reporting that
report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal contro

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control
performing the equivalent function):

(a) All significant deficiencies and material weaknesses in the design or operation of internal control
and report financial information; and

(b) Any fraud, whether or not material, that involves management or other employees who have a sig

By: /s/

Ro
Ch

Date: August 4, 2022 November 8, 2022

CERTIFICATION OF
18 U.S.C. SE
AS ADOPTED
SECTION 906 OF THE SARE

In connection with the Quarterly Report on Form 10-Q of Assured Guaranty Ltd. (the “Company”) for the period ended June 3
Dominic J. Frederico, as Chief Executive Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; a

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of

/s/ DOMINIC J. FREDERICO

Name: Dominic J. Frederico
Title: *President and Chief Executive Officer*
Date: August 4, 2022 November 8, 2022

CERTIFICATION OF
18 U.S.C. SE
AS ADOPTED
SECTION 906 OF THE SARE

In connection with the Quarterly Report on Form 10-Q of Assured Guaranty Ltd. (the “Company”) for the period ended June 3
Robert A. Bailenson, as Chief Financial Officer of the Company, hereby certifies, pursuant to 18 U.S.C. § 1350, as adopted p

(1) The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; a

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of

/s/ ROBERT A. BAILENSON

Name: Robert A. Bailenson

Title: *Chief Financial Officer*

Date: August 4, 2022 November 8, 2022

DISCLAIMER