Assured Guaranty Ltd. (AGO)
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Second Quarter 2026 Earnings Call

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Thank you, operator. And thank you all for joining Assured Guaranty for our Second Quarter 2026 financial results conference call.

Today's presentation is made pursuant to the Safe Harbor provisions of the Private Securities Litigation Reform Act of 1995.

The presentation may contain forward-looking statements about our new business and credit outlooks, market conditions, credit spreads, financial ratings, loss reserves, financial results or other items that may affect our future results.

These statements are subject to change due to new information or future events. Therefore, you should not place undue reliance on them, as we do not undertake any obligation to publicly update or revise them, except as required by law.

If you are listening to a replay of this call, or if you are reading the transcript of the call, please note that our statements made today may have been updated since this call.

Please refer to the Investor Information section of our website for our most recent presentations and SEC filings, most current financial filings, and for the risk factors.

This presentation also includes references to non-GAAP financial measures.

We present the GAAP financial measures most directly comparable to the non-GAAP financial measures referenced in this presentation, along with a reconciliation between such GAAP and non-GAAP financial measures, in our current Financial Supplement and Equity Investor Presentation, which are on our website at AssuredGuaranty.com.

Turning to the presentation, our speakers today are Dominic Frederico, President and Chief Executive Officer of Assured Guaranty Ltd., Rob Bailenson, our Chief Operating Officer, and Ben Rosenblum, our Chief Financial Officer. After their remarks, we will open the call to your questions.

As the webcast is not enabled for Q&A, please dial in to the call if you would like to ask a question.

I will now turn the call over to Dominic.

Dominic Frederico
President and Chief Executive Officer

Thank you, Robert, and welcome to everyone joining today's call.

Assured Guaranty had a strong first half of 2026. Additionally, our key valuation metrics, of shareholders' equity, adjusted operating shareholders' equity, and adjusted book value per share reached record highs at quarter end.

Our new business production continued to deliver solid results, generating $152 million dollars of PVP in the first half, nearly 50% higher than the first half of 2025, led by our activity in U.S. public finance and global structured finance. Rob will discuss the production details shortly. But briefly, it is worth noting that U.S. public finance and global structured finance produced $32 million dollars and $20 million dollars more, respectively, in PVP than in last year's first half.

In our asset management segment, our 12% inception-to-date annualized internal rate of return for all our alternative investments continues to support our strategic decision to allocate a portion of our investment portfolio to alternative investments.

As for our annuity reinsurance platform, we are pleased with the progress we have made, and the market reception of Assured Life Re. We are comfortable that we are on track to meet the production and income milestones we set when we launched our annuity reinsurance platform in January.

In addition to our new annuity reinsurance business, we remain focused on further growing our financial guaranty business abroad, including in Europe and the Asia-Pacific region, while also sustaining our leadership position in U.S. bond insurance.

As we stated previously, we are also looking at opportunities that would further optimize our capital structure to reward shareholders, support business growth, and protect policyholders.

Over the last few weeks, S&P, KBRA and Moody's have all affirmed the financial strength ratings of our financial guaranty insurance subsidiaries, with stable outlooks. While I won't go into all that was positively highlighted in these reports, it is worth noting that they again discussed our excellent capital and earnings, exceptional liquidity, strong competitive position and our diversified approach to underwriting, offering us flexibility to pivot toward favorable markets as conditions shift.

As we move into the second half of 2026, we expect demand to continue for our core products, and we see attractive prospects for our annuity reinsurance business.

We have significant opportunities for substantial future growth and greater revenue diversification. As always, we will maintain disciplined underwriting and risk management to protect our policyholders, and prudent competitive pricing for our obligors and for our clients looking to optimize their capital, while focusing on increasing value creation for our shareholders.

I will now turn the call over to Rob to provide more details about our production results.

Robert Bailenson
Chief Operating Officer

Thank you, Dominic, and good morning to everyone on the call.

Assured Guaranty closed $152 million of PVP in the first half of 2026, compared with $103 million of PVP in the first half of last year, a 48% increase. U.S. public finance alone produced more first-half PVP than the whole company did during the first half of 2025, with $106 million of PVP.

During the first half of 2026, Assured Guaranty remained the top provider of municipal bond insurance. We insured $9.6 billion of new issue par sold covering 423 transactions. In total, including both primary and secondary market par for U.S. public finance, Assured Guaranty insured over $10.1 billion.

Assured Guaranty's insurance supported a wide range of municipal bond transactions – both large and small – throughout the first half of the year, with the larger transactions reflecting sustained institutional demand for our guaranty. In the first half, we insured a total of 17 transactions that were $100 million of par or more, including:

- $870 million for the Dormitory Authority of the State of New York;
- $330 million in Student Housing Revenue Bonds for the Kentucky Bond Development Corporation;
- $297 million in Airport Senior Revenue Bonds for the Burbank-Glendale-Pasadena Airport Authority, and
- $102 million in taxable bonds for Brown University Health, to name a few.

Within the double-A category, in the first half of 2026 we insured $2.8 billion of par across our primary and secondary transactions. We believe investors continue to value our insurance as an important layer of protection against issuer headline or downgrade risk, and as a means to help preserve market value.

We continue to prioritize risk-based competitive pricing and appropriate returns, while maintaining a disciplined underwriting approach. This approach reinforces the value that an Assured Guaranty policy provides to both issuers and investors.

Turning to our other financial guaranty businesses, we continue to see positive developments in global structured finance, where PVP was $35 million, compared to $15 million in the first half of last year.

Our structured finance results were attributable primarily to fund finance and financial guaranties for life insurance capital management purposes. We continue to further develop our fund finance business. It is a highly rated product area that has transactions that are typically repeatable flow business with relatively short lives, resulting in our earning the premiums considerably faster than in most of our other markets.

Fund finance maturities typically range from a few months to a little over two years, which means we can recycle our capital more quickly. As we have mentioned in the past, we expect that the majority of these transactions will renew at maturity.

Non-U.S. public finance PVP results for the first half of 2026 included a secondary local authority transaction in the U.K., annual extensions of liquidity facilities, a regulated utility in Spain and a primary social housing transaction in France.

Further, we are off to a great start in the third quarter of 2026 with a promising pipeline ahead. At this point during the third quarter, we have issued policies or commitments on a number of large U.S public finance transactions, a primary market European toll road, and several structured finance transactions – including two transactions with a new counterparty. In total, these transactions are expected to generate $42 million in PVP.

We continue to look to expand the application of our products into various new sectors and geographic markets, develop additional product applications, and add new counter-party relationships, all in line with our strategic objective to accelerate our business growth. We believe opportunities in Europe and the Asia Pacific regions will underpin that growth as a complement to our robust U.S. municipal business.

I will now turn the call over to Ben to discuss our financial results.

Benjamin Rosenblum
Chief Financial Officer

Thank you Dominic and Rob, and good morning.

I am pleased to report second quarter 2026 adjusted operating income of $55 million, or $1.23 per share, which represents an increase of 22% over adjusted operating income per share in the second quarter of last year.

The increase in adjusted operating income from $50 million to $55 million was primarily attributable to strong results in premium income and lower loss expense.

Net earned premiums increased due to both:

- higher refundings, and
- higher scheduled net earned premiums, which are primarily attributable to continued growth in shorter duration strategies like fund finance, that complement the rest of our long duration model.

Loss expense was down from $28 million in the second quarter of 2025 to $4 million in the second quarter of this year. Loss expense that emerges in the income statement in any given period is a function of the amount of deferred premium revenue relative to expected losses to be paid, on a contract-by-contract basis.

The largest driver of economic loss development in the second quarter of this year was the Brightline transaction, which did not impact adjusted operating income because expected losses have not exceeded its deferred premium revenue. Despite increased revenues, Brightline continues to experience liquidity pressure. We continue to work proactively with Brightline and the other creditors on a solution.

There have been no significant developments with respect to our Thames water exposure in the second quarter that affect our expected loss scenarios. We look forward to working with the new administration to implement the solution the creditors' group has negotiated with the U.K. regulator that will deliver Thames water customers a resilient water system that they can rely on.

Alternative investments, which remain an important part of our overall investment strategy, were down in the second quarter of 2026 due to a $19 million mark-to-market loss on an investment in a CLO equity fund, which we report on a one-quarter lag.

The other alternative investments performed well and delivered relatively consistent results. Despite this quarter's market movements, we still have an inception-to-date IRR of approximately 12% on the alternative investment portfolio, which is significantly higher than the 3-year average yield of our fixed maturity portfolio of 4.3%.

As always, we continuously evaluate a range of capital deployment opportunities, and allocate capital to various strategies that may include:

- supporting growth in our financial guaranty and annuity reinsurance platform, where we currently project near-term opportunities to provide attractive long-term returns to our shareholders;
- maintaining an appropriate capital cushion, and
- repurchasing shares.

On the asset management front, we have continued to invest in Sound Point's growth by seeding new investments while promoting our alternative investment strategy.

In the second quarter of 2026, we repurchased 554,000 shares for $45 million at an average price of $80.68 per share. We also returned $17 million in dividends to our shareholders in the second quarter.

As of today, our total share repurchases since the beginning of the program in 2013 amount to $6 billion, or 81% of the shares that were outstanding at the start of the program. Over that same period, we also increased our quarterly dividends per share from $.10 to its current quarterly level of $.38 per share.

Our holding company liquidity as of today is approximately $179 million, of which $60 million is at AGL.

As of the end of the second quarter of 2026, we had again reached record per-share valuations of $129.94 for adjusted operating shareholders' equity, and $189.72 for adjusted book value, reflecting the successful execution of our key strategic initiatives.

I will now turn the call over to our operator to give you instructions for the Q&A period.

Question and Answer Session

Operator
[Operator Instructions]
The first question comes from the line of Marissa Lobo with UBS. Your line is open, Marissa. Please go ahead.

Marissa Lobo, *UBS*
Just following up on the CLO marks. Given the increased volatility in CLO returns, how are you thinking about the strategy in higher-yielding alt investments? And given the reporting lag, how should we think about the impact of Q2 on next quarter's results?

Dominic Frederico
Well, remember, as we look at the alternative investments, there's a basket of opportunities there that go beyond just CLO. CLOs is one of the components or part of it. Everything is going to have its good day and its bad day. Most marks or at least some marks will have the ability to reverse and we've seen already activity in the large one that we took the loss in this quarter already reversing in next quarter because we book it on a quarter lag or reversing some of it.

So it really doesn't affect our long-term view of the alternative investments and the diversification we have across the platform. And as I said, that market historically did very well in terms of average annual returns. So we're going to continue to use that as part of our strategy as we look forward.

Marissa Lobo
Okay, thank you. And just looking at buybacks, you've guided about $30 million for 2Q, came in modestly above that. Was that opportunistic? And how are you thinking about capital activity for Life Re? And does that constrain anything for 3Q?

Dominic Frederico
I'll do the Life Re. I'll let Ben do the buyback. So the Life Re, obviously, we have a projection of when that business would be booked and the capital necessary to book the initial transaction or the early transactions. As we said, once you get to a certain size, it

becomes capital sufficient on its own. As we've talked about, we're very pleased with the reception of AL Re into the marketplace. We actually now believe we're going to accelerate the timing of bookings in terms of our schedule of capital need being spread out over a longer period of time. We think it has a chance of being accelerated, which means it will take more capital day one. But obviously, that capital ultimately funds itself after a period of time and gets to an economic level of stability in the portfolio.

So that could put a little bit of strain in our original projection of capital. And as we said, we look at capital based on an opportunistic basis. We evaluate all alternatives. And if we think we've got good new business prospects that have high returns, accretive to the company and the shareholder, we're obviously going to pursue that. We look at putting dollars on the balance sheet has a compounding effect as well as opposed to the share buyback. So we'll make that determination kind of every step of the way, every quarter as we look at our opportunities and look at the capital adequacy across all businesses and make the determination of whether we would add excess capital we cannot put to use accretively, then we return it to shareholders. Ben you want to add?

Benjamin Rosenblum
Generally, the way we see the world is we have a large portfolio, a large back book and it runs off every year. And when it runs off, it releases capital. And the way we think about it, we're capital allocators. We look at a pool of capital that gets released every year, and we sit there and look at the opportunity set for creating accretive opportunities for our shareholders. Historically, that frontier was relatively small where we didn't see really good uses of our capital. As we've expanded geographically and into other counterparties to other jurisdictions and other products, we are seeing a diverse range of high ROE accretive opportunities for our shareholders.

So when we look at the pool of capital that's getting released today, we're now saying, gee, yes, it's less available for share repurchases because we are putting it into our growth strategies that we have, and we think those growth strategies will yield really good opportunities for our shareholders, good returns in the future.

Marissa Lobo
Thank you. And I was just going to ask, where do things stand on that soft capital facility exploration you flagged last quarter? Is that a 2026 event? And does it change the buyback math?

Dominic Frederico
It's a 2026 event. It could possibly change the buyback math based on the process or methodology that we're following in terms of how we look at ourselves as optimizing capital usage and capital value to the organization. So as we said, if we look at the new business pipeline, the value that creates for the organization, not only for today, but on a compounded basis and then compare that to the other alternatives, which includes buyback stock. If we can't put the capital to use effectively and accretively, then we'll buy back stock. And soft capital will give us greater flexibility in making that determination.

Marissa Lobo
Okay great, I appreciate all the answers.

Operator
Your next question comes from the line of Tommy McJoynt with KBW.

Thomas Mcjoynt, *KBW*
Good morning. I had a couple of questions around the Brightline credit. So your internal downgrade caused the adverse economic loss development. But as you flagged, the deferred premium remains enough that you don't have to provision for that through the GAAP income statement. So a question really is how much deferred premium is still available to offset any incremental loss development? Should that credit continue to deteriorate? We've seen Brightline start to dip into reserves. What scenario would you need to see in terms of the conditions at Brightline perhaps to push it into the surveillance Category 3 from the Category 2 that I believe it's in now? Thanks.

Benjamin Rosenblum
So I'll start and then I'll let Dominic chime in. So firstly, when you look at our surveillance categories, really pushing surveillance category 3, we're going to have to start paying claims on Brightline. So that's just -- just call it, it's not even mathematical, just it's binary, we're making claim payments or we are not making claim payments and certainly, we'll look at in the future. Brightline has unquestionably got some liquidity constraints right now, and that's really what we're looking into and dealing with. But the thing to remember about Brightline and really with all our policies, the beauty of our business model is we can't be accelerated against.

So what are we sitting here with Brightline is we have par outstanding with Brightline. It's a constrained credit. We believe in the credit. And all we're going to have to do is make interest payments until 2042. So we have plenty of runway to see the growth story for Brightline to come through. And I think when you look at the Brightline numbers and they're public out there, you can see the year-over-year growth is more passengers are up, revenues are up. And I think when you look at that, it's really a testament to the fact we went in at the beginning. There was quite a bit of value beneath us. It was over – we're the senior top of the cap stack. It's top $2 billion. We're half of that. We're $1 billion in the top 2 roughly, and it was $4 billion below us.

Unfortunately, it got off to a slow start. It's not unusual for startups to get up to those starts. They did not have enough trains. The trains weren't delivered. They've refined their pricing. And when you look, revenues are up year-over-year. And so we have plenty of time for this to work itself out with very low cash payments we have to make in the future should they run out of liquidity and we remain committed to this asset. We stand behind it, and we think this will work itself out over time.

Thomas Mcjoynt
Okay. And then switching over to the alternative investments that had a bit of weak performance in the quarter. I understand those CLO marks come through on a quarter

lag. From what you've seen in the market and some of the available market pricing for 2Q, is it your expectation that some of those CLO marks would have reversed in the second quarter, and so you'll see some sort of offset or some benefit come through in the third quarter?

Benjamin Rosenblum
So as Dominic mentioned before, for the ones that we booked on a lag, which is the primary cause of the loss, from last quarter, we've already seen some of that reverse this quarter. I think when my Chief Investment Officer told me she said to me, don't worry about it, Ben. This quarter has already been – even Q2 is actually better than some of the things we're seeing in Q1. We're in for the long haul. We're not sitting here. We don't look at it on a quarter-by-quarter basis.

We know the markets fluctuate up and down. We think the CLOs, the Sound Point is working –- works and manages for us, are well positioned. They have less of some of the AI software risk than some of the other CLOs that you see in the market. But unfortunately, the market is really, really right now concerned with AI software risk. And when that happens, you get pulled along with it. But we remain very comfortable with the product. We're willing to ride out the highs and lows. And ultimately, as I mentioned, we still have a 12% IRR for alternative investments and we remain confident in the strategy.

Dominic Frederico
The diversification of that portfolio allows you to be able to absorb the downtime in certain asset classes where you have a very positive time in other asset classes. So as Ben said, we're very comfortable with how we structured the alternative investment portfolio, the return that it has been providing us relative to what the normal portfolio gets. So we see it as a positive trade, and we're going to go through cycles as any other business goes through cycles. But we have a high degree of confidence in how we've structured the investments and therefore, the diversification we think will see us through this.

Thomas Mcjoynt
Thanks. And then just last question. Looking at the PVP production in the first half of '26, very strong on a year-over-year basis, the comps get a little bit harder in the second half of the year. From what you've seen to date in July and what you have visible in your pipeline today, is it your expectation that you think you can grow PVP year-over-year in the second half of the year as well?

Robert Bailenson
Yes. I just see a very strong pipeline. You heard my commentary, we're going to have a very strong second half on all 3 of our financial guarantee lines of business. We see it in U.S. public finance. We see increasing counterparties that are trading with us in global structured finance in Europe and in Asia Pacific. And we're seeing large transactions and infrastructure on the continent. So yes, I'm very confident about that.

Dominic Frederico

From my point of view, we've always had an international side of our business. And if you go back years and years, it used to be a significant contributor. It's really nice to see us booking transactions around the areas of the world where we believe there's a market and we have interest in and actually have a quarter where I can look at a diversified book of risk, which includes a very heavy complement from the international side is quite rewarding for the investment we've made in following those businesses and maintaining our presence to see it now come to fruition. And Mr. Bailenson, the one that was speaking before me, who is responsible for production across the entire organization is more proud than you can ever imagine. We have to deal with his ego in meetings these days. But we'll put up with it for the benefit of the results that he's putting up on the board.

Benjamin Rosenblum
I'll just add, the thing that I really like as a CFO is the returns on that capital are actually quite good. The ROEs we're seeing in that book of business are really returns that I think our shareholders are going to appreciate.

Dominic Frederico
And the recycling of the capital is also a nice feature as well.

Robert Bailenson
It's really important. The recycling of the capital in the structured finance business, the velocity of that capital comes back quickly, the earnings come in quickly. And it complements our U.S. public finance business, which we're seeing really large transactions that we will continue to see throughout the year.

Benjamin Rosenblum
And when Rob said, the earnings come in quickly, you can already see that our scheduled earned premiums were up this quarter, as I mentioned in the script, and that is we're an insurance company, we like seeing our scheduled earned premiums go up.

Operator
This concludes the question-and-answer session. I would now like to turn the conference back over to our host, Robert Tucker for closing remarks.

Robert Tucker
Thank you, operator. I'd like to thank everyone for joining us on today's call. If you have additional questions, please feel free to give us a call. Thank you very much.

Operator
This concludes today's conference call. Thank you all for attending. You may now disconnect your lines. Have a great day.