

Assured Guaranty Ltd. (AGO)
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Fourth Quarter 2025 Earnings Call

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Thank you, operator. And thank you all for joining Assured Guaranty for our Full Year and Fourth Quarter 2025 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 and 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.

We significantly advanced Assured Guaranty's key business strategies in 2025, positioning us for sustainable long-term growth. Among this year's most important accomplishments:

- We again brought our key shareholder value metrics at year-end 2025 to new per-share highs of \$186.43 for adjusted book value, \$126.78 for adjusted operating shareholders' equity and \$125.32 for shareholders' equity.
- We earned adjusted operating income per share of \$9.08, compared with \$7.10 in 2024, and created significant future earnings from financial guaranty originations.
- Our present value of new business production, or PVP, totaled \$286 million, with meaningful contributions from each of our three financial guaranty underwriting groups.
- We continued to be the leader in the new issue market for U.S. municipal bond insurance, and our strategic efforts to expand our U.S municipal secondary-market business saw great success, as we more than tripled our secondary market par insured over last year's performance. Rob will provide details on our financial guaranty production in a few minutes.
- In our capital management program, we repurchased 12% of the common shares that were outstanding on December 31, 2024, while meeting our 2025 target of repurchasing \$500 million of our shares. We also distributed \$69 million to shareholders through dividends and, last week, we announced that we had increased our current quarterly dividend per share by 12% compared to the November of 2025 amount, representing 14 years in a row of dividend growth.
- Our alternative investments continued to perform well, including funds managed by Sound Point Capital Management and Assured Healthcare Partners. Alternative investments have provided an annualized inception-to-date internal rate of return of 13% through year-end 2025.
- As we mentioned on prior calls, we successfully defended our legal rights in litigation with Lehman Brothers International, resulting in a pre-tax gain of approximately \$103 million in the first quarter of 2025. We also reached successful resolutions of several other loss mitigation situations that were accretive to our financial results. Ben will discuss these further in a few minutes.
- Lastly, during 2025, we completed substantially all the work required to leverage our decades of experience in life insurance securitization and investment management to enter the life and annuity reinsurance business. In January of 2026, we acquired Warwick Re Limited which we have renamed Assured Life

Reinsurance Ltd., or Assured Life Re for short. This acquisition further diversifies our revenue sources and has the potential for significant synergies with our financial guaranty and investment activities.

Assured Life Re's primary business focus will be reinsuring fixed-term annuities, specifically multi-year guaranteed annuities, known as MYGAs, and pension risk transfer annuities. The Assured Life Re platform combines Assured Guaranty's core strengths in credit and structured finance, management of our own multibillion-dollar investment portfolio, and our 20-year track record of providing financial guaranty services to the life insurance sector, with the operational infrastructure and experienced life reinsurance professionals of Warwick Re.

We believe we are well positioned for growth in 2026 and beyond. Since we commenced operations in 1985, the value and reliability of our guaranty and the resilience of our business model have been repeatedly demonstrated especially during financial crises, the global pandemic and during other periods when it was difficult to foresee the direction of economic conditions.

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

Robert Bailenson
Chief Operating Officer

Thank you, Dominic.

In 2025, we generated our \$286 million of PVP from transactions that, in aggregate, were of higher credit quality than in recent years.

Municipal bond insurance remained in strong demand during 2025, as the U.S. municipal market experienced a second consecutive year of record issuance.

In U.S. public finance, we originated \$206 million in PVP, finishing the second half of the year strongly with \$132 million in PVP, a 19% increase over the second half of 2024. In looking at 2025, PVP was limited by the mix of business that came to market, which resulted in our insuring fewer large transactions in the triple-B rating category than in 2024. As a result, the municipal par we insured was weighted more heavily toward higher credit quality transactions with lower capital charges, and these higher rated deals produced less premium.

Overall, we guaranteed over \$27 billion of municipal par, 16% more than in 2024, across more than 1,500 primary- and secondary-market policies.

For insured new issue municipal par sold in 2025, Assured Guaranty achieved a 15-year high, wrapping more than \$25 billion, and led the bond insurance industry with 58% of new issue insured par sold. Our new issue deal count grew 15% year-over-year to more than 900 transactions.

Perhaps most notably, we increased our U.S. public finance secondary insured par written more than 240% year-over-year to approximately \$2 billion, which generated \$44 million of PVP. With over \$4 trillion of municipal bonds outstanding, we are excited about the opportunity available in bonds we could insure in the secondary market.

We have made several technological and operational process improvements over a multi-year investment period to greatly enhance the secondary market team's ability to source, evaluate, and execute transactions. The modernization of our platforms, including deployment of new market analysis tools and applications, and real-time data integration, as well as improved workflows, drove a substantial increase in our underwriting speed and capabilities, enabling faster credit assessments, quote turnaround times, and deal executions.

The strong new issue market demand on larger transactions showed continuing institutional appetite for our guaranty on such transactions. In 2025, Assured Guaranty wrapped 51 primary-market issues with approximately \$100 million or more in insured par for a total of approximately \$12.6 billion of insured par sold. This is our highest annual number of 100-million-dollar-plus municipal transactions in over a decade.

Two of our transactions were honored at the 2025 Bond Buyer's Deal of the Year ceremony. JFK International Airport's Terminal Six Redevelopment Project, for which we insured \$920 million of par in November of 2024, was recognized as the Green Financing Deal of the Year, and Alaska Railroad Corporation's Cruise Port Revenue Bonds, where we insured \$108 million in 2025, was named the Far West Region Deal of the Year.

Other larger deals in 2025 included \$1 billion for the Dormitory Authority of the State of New York; \$844 million for the Downtown Revitalization Public Infrastructure District in Utah; \$730 million for the Alabama Highway Authority; \$650 million for the Massachusetts Development Finance Agency on behalf of Beth Israel Lahey Health; and \$600 million for the New York Transportation Development Corp.'s New Terminal One at JFK Airport.

Also in 2025, we saw an increase in the use of our insurance among underlying double-A rated credits, which are credits rated in the double-A category before insurance by S&P or Moody's. For double-A rated credits in both the primary and secondary markets, we issued over 160 insurance policies totaling approximately \$7 billion of insured par, which year-over-year represented an increase of approximately 60% for both of those metrics. While such double-A transactions produce less premium per dollar of insured par, they require us to hold less capital and they generate attractive returns, enhance overall insured portfolio credit quality, and demonstrate market confidence in the strength, reliability and durability of our guaranty as a backstop against potential issuer downgrades, headline risk and market value declines.

Turning to our other markets, non-U.S. public finance and global structured finance originations together contributed \$80 million in PVP for 2025. We closed \$37 million of non-U.S. public finance PVP in 2025, including \$18 million in a strong fourth quarter. The year's production results were mainly driven by several primary infrastructure finance transactions in the U.K. and the European Union, as well as secondary market

transactions for U.K. sub-sovereign credits. Among the insured credits were a portfolio of general obligation loans to universities in the United Kingdom, a project finance loan for a road construction project in Spain and a note issue to refinance debt in the French fiber optics sector, our first primary market execution in France since the global financial crisis.

In global structured finance, we guaranteed over 40 transactions in 2025 with a total PVP of \$43 million, including strong fourth quarter PVP production totaling \$20 million, primarily from fund finance facilities, insurance securitizations, the upside of a transaction providing protection on a core lending portfolio for an Australian bank, and consumer receivable transactions.

We have now built fund finance into a high-performance flow business that includes repeatable transactions whose renewals generate future PVP. And since these are shorter duration transactions, we also benefit because we earn the premiums more rapidly and can recycle the capital more quickly. For example, the transactions we insured this year had a stated maturity within one to four years and we will earn all the premiums during that period. This fund finance earning's time frame is two to three times faster than the typical structured finance business we insure.

In looking toward par and PVP production in 2026, we have a robust transaction pipeline and are expecting strong results from each of our three financial guaranty product lines. Thus far in 2026, we have already closed several large transactions. We believe we have significant short-term and long-term opportunities for growth across our financial guaranty markets.

In the U.S. public finance market, we continue to be the premier insurer of new issue municipal bonds and have developed more efficient and broader capabilities to serve the enormous secondary municipal market. In structured finance, our fund finance business provides us with a stream of shorter duration transactions that are repeatable and complement the often larger and longer duration transactions that have been typical in that sector. We have also seen expanding business opportunities in Europe and Australia across both public and structured finance.

Most important of all, we have the financial strength, experienced staff, and proven business model to continue growing and leading the financial guaranty industry.

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

Benjamin Rosenblum
Chief Financial Officer

Thank you, Dominic and Rob, and good morning.

I am pleased to report fourth quarter 2025 adjusted operating income of \$109 million dollars, or \$2.32 per share, representing an increase of 83% on a per-share basis, from adjusted operating income of \$66 million, or \$1.27 per-share in the fourth quarter of 2024.

Our full year 2025 adjusted operating income was \$445 million, or \$9.08 per share, representing an increase of 28% on a per share basis from \$389 million, or \$7.10 per share, in 2024.

The largest drivers of the quarter over quarter increase were:

- a \$23 million pretax gain associated with a loss mitigation strategy,
- higher earnings from alternative investments, and
- lower loss expense.

Full year results in 2025 also benefitted from:

- a \$103 million gain related to the resolution of the LBIE litigation,
- \$15 million in fees related to workout credits, and
- a \$20 million increase in the pre-tax contribution from the asset management segment.

As you can see, 2025 was a big year for resolving several previously troubled exposures. In addition to the gain on the LBIE resolution, loss mitigation efforts resulted in the paydown of our largest below-investment-grade security, reducing the amount of loss mitigation securities in our investment portfolio by over \$400 million. In addition, a commercially leased building that was part of a loss mitigation exposure was sold, removing another troubled asset from our balance sheet. The Company was able to fully recover its losses through the negotiated settlements that were finalized in 2025.

This further demonstrates the strength of our underwriting, our persistence in defending our rights and our multi-faceted approach to working with issuers and developing innovative solutions.

Enhancing our investment returns is another strategy that yielded results this past year. As of December 31, 2025, our alternative investments had a fair value of over \$1 billion, up from \$884 million, as of December 31, 2024.

- In the fourth quarter of 2025, alternative investments generated \$47 million in pre-tax adjusted operating income and \$160 million of pre-tax adjusted operating income for the full year, representing a year-over-year increase of 33%.
- Since we commenced the alternative investment strategy, we have consistently reported an inception-to-date IRR of approximately 13%. As a point of comparison, our fixed maturity portfolio average yield over the past three years has been 4.16%. In terms of capital management, we again reached \$500 million in share repurchases, buying back 5.8 million shares or almost 12% of the shares outstanding at the end of 2024 at an average price of \$85.92.

We are committed to prudent capital management and have continued to repurchase shares in 2026. Our remaining share repurchase authorization as of today is \$204 million. As always, we actively assess the various opportunities to deploy our capital effectively and aim to invest in those that we believe provide the most attractive returns.

Our holding company liquidity as of today is approximately \$130 million, of which \$48 million is at AGL.

Last week our Board of Directors also approved a 12% increase in our quarterly dividend per share from \$.34 to \$.38.

Finally, I want to highlight the acquisition of Warwick Re, which launched our annuity reinsurance platform and which we expect to add another source of earnings separate from our financial guaranty business.

We are actively progressing several promising opportunities in our pipeline to assume new blocks of annuity business and expect to make investments in this business over the next few years.

We are excited to grow this business, which we have renamed Assured Life Reinsurance, and we will have an update on our first quarter earnings call. In the meantime, we have an Annuity Reinsurance presentation on our website.

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]

Our first question comes from Marissa Lobo from UBS.

Marissa Lobo, UBS

Good morning. Thanks for taking my question. Last quarter, you noted that issuance in BBB credits had come back from prior lower levels. How did this look in the fourth quarter and what are your thoughts for the mix into 2026?

Robert Bailenson

Yes, we're seeing that come back, and we saw that in the fourth quarter, and we're seeing – we're off to a very good start in the first quarter. So we believe that that's going to continue. We've closed a number of transactions already in U.S. public finance as well as infrastructure finance in Europe, and so we continue to see that, we're very excited about 2026.

Marissa Lobo

Okay, thank you. And looking at the big exposures, could you give us an update on your outlook across the U.K. utilities and Brightline as well?

Benjamin Rosenblum

Sure. I'll start with that and let Dominic and Rob chime in. So we are looking across obviously the U.K. utilities. When you look at what happened during the quarter, our U.K. water utility BIG exposure went down as we upgraded Southern Water. We feel pretty

good about that upgrade as Southern Water was out in the market and had new equity introduced to it. So they raised debt and equity, making it really, in our opinion, investment-grade credit.

So for U.K. Water, we're 100% focused now really on just Thames as being the only problem exposure there. We are part of the creditors committee, as you know, on Thames, and we are actively looking to work with the U.K. government on a market-based solution and we're hopeful to have an update on that relatively shortly. Do you want me to cover Brightline or do you have any questions on that?

Marissa Lobo

No, that's helpful. Thank you. Brightline, please.

Benjamin Rosenblum

So for Brightline, we remain confident in our thesis when we went into Brightline. There is a lot of subordination below us, over \$4 billion below us. And that is a really good position to be in a capital stack of a troubled exposure. Their ridership is going up. I think they're on the way to recovery. And we're obviously happy to be part of any solution they have. But we remain committed to them as well as we are very confident in our position in that exposure.

Operator

Our next question comes from Tommy McJoynt from KBW.

Tommy McJoynt, KBW

A question on your alternative investment portfolio. I tend to remember that it's largely CLOs that are in there. But can you just talk about the exposure there? Is there anything in private credit that we should keep on the radar?

Benjamin Rosenblum

We don't really take direct, well, absolute direct exposure to private credit. Obviously, we are investing in the CLO market and some of the names are in there as well. However, we do mark our portfolio to market, and we believe that any pain that probably has been experienced in the market to date, for many of the names that have been in there, we've experienced. But we remain confident that again, that our exposure there is in good shape, and we feel pretty good about it.

Tommy McJoynt

Okay, thanks. And switching gears, to the extent that you guys allocate some capital into the annuity reinsurance market, would that preclude you from sticking with your \$500 million annual buyback target? Or should we think of those as two independent opportunities?

Dominic Frederico

I think you got to look at the entire capital stack as independent. So we've got a range of capital management opportunities this year in terms of stock buyback. But that range will be dictated by what other opportunities we see in the market, specifically in the life and the annuity re. As we said when we made the acquisition, we have a substantial excess capital there that allows us to write a substantial amount of new business. But as we've seen, we've gotten more inquiries than we were actually expecting. So we're pretty happy with the opportunities we see there.

So that might allocate some more capital. So that will dictate exactly where we land in the range of our stock buyback. But we're committed to the capital management. We're committed to stock buyback and repurchasing. We'll just measure that as we go throughout the year.

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.