



Moody's Investors Service

## Rating Action: **Moody's confirms Assured Guaranty Corp. at Aa3 and AG Re at A1, outlook is negative**

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Global Credit Research - 18 Dec 2009

New York, December 18, 2009 -- Moody's Investors Service has confirmed the Aa3 insurance financial strength rating of Assured Guaranty Corp. (AGC) and the A1 insurance financial strength rating of Assured Guaranty Re (AG Re), the ratings outlook is negative. The rating agency also affirmed the Aa3 insurance financial strength rating (negative outlook) of Assured Guaranty Municipal Corp. (AG Muni -- formerly, Financial Security Assurance Inc.). AGC, AG Re, AG Muni (collectively, Assured) are all insurance operating subsidiaries of Assured Guaranty Ltd. These rating actions reflect the effect of Assured's capital restructuring. These actions include the ratings review of AGC and AG Re initiated on November 12, 2009. Today's rating actions have implications for the various transactions wrapped by AGC as discussed later in this press release.

Moody's review of AGC's and AG Re's IFS ratings initiated on November 12, 2009, focused on the successful execution of Assured's plans to bolster the weakened economic and regulatory capital position of AGC stemming from mortgage related losses. The review also entailed assessing the impact of these initiatives on the capital position of AG Re. Earlier this month Assured disclosed the intention to raise equity and implement inter-company capital support to enhance AGC's capital position. Since then, Assured has completed a \$575 million common stock issuance and has indicated a portion of the proceeds have been downstreamed to AGC. Based on discussions with the company, Moody's understands that the remainder of Assured's planned capital support transactions have also been executed, although the specific details have not been publicly disclosed. Moody's believes that these transactions have replenished AGC's capital to a level consistent with the Aa3 rating, while still leaving its affiliates with capital structures appropriate for their own ratings. Accordingly, Moody's has confirmed the A1 IFS rating of AG Re and affirmed the Aa3 rating of AG Muni. The rating agency also confirmed the senior debt rating of Assured Guaranty US Holdings and the issuer ratings of Assured Guaranty Ltd at A3 (negative outlook), concluding reviews initiated on November 12, 2009.

The negative outlook for Assured's ratings considers the meaningful remaining uncertainty about the group's ultimate credit losses, including claims on mortgage exposures and Assured's success in putting back mortgage loans to lenders. The outlook also reflects the dislocation in the muni market and recent volatility of Assured's new business volumes despite limited alternative forms of credit enhancement and virtual absence of financial guaranty competition. In Moody's view, it is unclear how demand for financial guaranty wraps and Assured's competitive position will evolve once the municipal finance market normalizes.

### TREATMENT OF WRAPPED TRANSACTIONS

Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's special comment entitled "Assignment of Wrapped Ratings When Financial Guarantor Falls Below Investment Grade" (May, 2008); and Moody's November 10, 2008 announcement entitled "Moody's Modifies Approach to Rating Structured Finance Securities Wrapped by Financial Guarantors".

As a result of today's action Moody's-rated securities that are guaranteed or "wrapped" by AGC have also been confirmed, except those with higher published underlying ratings (and for structured finance securities, except those with higher published or unpublished underlying ratings). A list of these securities will be made available under "Ratings Lists" at [www.moodys.com/guarantors](http://www.moodys.com/guarantors).

### RATINGS CONFIRMED

The following ratings have been confirmed with a negative outlook:

Assured Guaranty Corp. -- insurance financial strength rating at Aa3;

Assured Guaranty (UK) Ltd. -- insurance financial strength rating at Aa3;

Assured Guaranty Re Ltd. -- insurance financial strength rating at A1;

Assured Guaranty Re Overseas Ltd. -- insurance financial strength rating at A1;

Assured Guaranty Mortgage Insurance Company -- insurance financial strength rating at A1;

Assured Guaranty US Holdings Inc. -- senior unsecured at A3, junior subordinated debt at Baa1, provisional senior unsecured at (P)A3, provisional subordinated debt at (P)Baa1;

Assured Guaranty Ltd. (Bermuda) -- issuer rating at A3, provisional senior unsecured at (P)A3, provisional subordinated debt at (P)Baa1, provisional preferred at (P)Baa2:

Assured Guaranty Capital Trusts I and II -- provisional preferred at (P) Baa1;

Woodbourne Capital Trusts I, II, III, and IV -- contingent capital securities at A3.

The last rating action was on November 12, 2009 when Moody's confirmed the Aa3 insurance financial strength ratings of AG Muni; and downgraded the insurance financial strength ratings of AGC and AG Re, as well as the debt ratings of the related holding companies, and continued the reviews of these ratings for possible downgrade.

The principal methodology used in rating Assured was Moody's Rating Methodology for the Financial Guaranty Insurance Industry, which can be found at [www.moody.com](http://www.moody.com) in the Rating Methodologies sub-directory under the Research & Ratings tab. Other methodologies and factors that may have been considered in the rating process can also be found in the Rating Methodologies sub-directory on Moody's website.

Assured Guaranty Corp. is a financial guaranty insurance company based in New York. Assured Guaranty Municipal Corp. (previously called Financial Security Assurance Inc.) is the main operating company of Financial Security Assurance Holdings Ltd. Assured Guaranty Corp. and Financial Security Assurance Holding Ltd. are wholly owned subsidiaries of Assured Guaranty US Holdings Inc. Assured Guaranty Re Ltd. is a Bermuda based financial guaranty reinsurance company. Assured Guaranty Re and Assured Guaranty US Holdings Inc. are wholly owned by Assured Guaranty Ltd. [NYSE:AGO], the ultimate holding company.

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