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## Assured Guaranty Ltd. And Operating Companies

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# Assured Guaranty Ltd. And Operating Companies

## Rationale

### Financial Strength Rating

*Local Currency*

AA/Stable/--

### Business Risk Profile

- Strong competitive position, built on a proven track record of credit discipline and market leadership position
- Experienced management team that continues demonstrating a strong understanding of various risks the company faces
- Low insurance industry and country risk assessment

### Financial Risk Profile

- Consolidated capital adequacy ratio greater than 1.0x
- Investment portfolio presents low risk financial risk profile
- Largest obligor violation
- Strong operating performance as a result of the runoff of more volatile legacy-structured finance portfolio and long-term earnings power of the U.S public finance business
- Financial flexibility is neutral to the rating

### Other Factors

- Strong enterprise risk management (ERM)
- Liquidity is strong, with conservative investment strategy that should adequately support its future liquidity needs
- All four operating companies are core to Assured Guaranty Ltd. (AGL), and are rated as a consolidated group

## Outlook

The outlook is stable, reflecting Standard & Poor's Rating Services' view of Assured's strong competitive profile and very strong capital adequacy. The outlook also considers Assured's flexibility to underwrite business in a broad number of U.S. public finance sectors, global infrastructure transactions, and global structured finance to capitalize on positive market trends. The maintenance of a capital adequacy ratio of more than 1x is essential for rating stability.

### Downside scenario

We may lower our ratings if the company exhibits significant volatility in earnings, or if its municipal risk-adjusted pricing ratio (RAP) does not improve to more than 4.0% with an expected rise in interest rates.

### Upside scenario

Based on our view of the new-issue U.S. public finance and financial guarantee markets, we don't believe the competitive position or earnings will dramatically change and, therefore, don't expect to raise our ratings in the next two years.

## Base-Case Scenario

### Company-Specific Assumptions

- Capital adequacy ratio greater than 1x
- 25% increase in total insured par in 2015
- Municipal RAP more than 4.0%
- Combined ratio less than 100%

## Company Description

Assured Guaranty Municipal Corp. (AGM), Municipal Assurance Corp. (MAC), and Assured Guaranty Corp. (AGC) are U.S.-based direct primary financial guarantee insurance companies owned by Bermuda-domiciled AGL. AGL's corporate strategy is to function as a full-service financial guarantor with a captive reinsurance affiliate, Assured Guaranty Re Ltd. (AG Re), which has also assumed third-party portfolio cessions.

AGM insures U.S. public finance issues and global infrastructure transactions. MAC insures only U.S. public finance issues. AGC predominantly insures global structured finance transactions, and some global infrastructure and public finance issues.

The European business platform is Assured Guaranty (Europe) Ltd. (AGE). We base our ratings of AGE on its close operational and financial ties to its affiliates, including risk-management policies to which the entire group adheres, underwriting support, and strong financial support in the form of quota-share reinsurance, excess-of-loss reinsurance,

and net-worth-maintenance agreements. AGE writes business using a co-insurance structure. AGE co-insures municipal and infrastructure transactions with AGM, and structured finance transactions with AGC. AGM or AGC also issue a second-to-pay guarantee to cover AGE's financial guarantee.

## Business Risk Profile

The score for the company's adjusted competitive position is '3' and the industry risk is '2', leading to a business risk profile score of '2'.

### Insurance industry and country risk: Operating in stable markets

We believe Assured faces low industry and country risk. Although the company operates in global capital markets, its principal operations are conducted in the U.S. Our view of Assured's very low country risk stems from the potentially higher-income nature of the markets in which Assured operates and their relatively effective and stable political institutions, sophisticated financial systems, and strong payment culture (especially in the U.S.). We believe Assured's financial guarantee operations are exposed to low industry risks because of high barriers to entry and moderate product risk. The U.S. financial guarantee market's growth prospects and overall institutional framework further support the low industry risk assessment.

### Competitive position: Strong, well-diversified underwriting strategy

Assured has a strong competitive position, built on a proven track record of credit discipline and a market leadership position in terms of par insured. AGM and MAC will write financial guarantees in a broad number of U.S. public finance sectors, which provides management the flexibility to capitalize on growth trends and pricing opportunities in one sector while less-favorable trends or pricing are presented in others. Although not on the same level of contribution to gross premiums written, the global infrastructure business written by AGM and the global structured finance business written by AGC provide additional sources of revenue.

**Table 1**

Assured Guaranty Ltd. Operating Companies -- Business Statistics					
	--Year ended Dec. 31--				
(Mil. \$)	2014	2013	2012	2011	2010
Net par exposure	403,729	459,106	519,893	588,048	617,131
Net P&I exposure	609,622	690,534	782,180	845,665	927,143
<b>Adjusted gross premiums written*</b>					
U.S. public finance	127.8	115.3	165.9	173.0	328.1
U.S. asset-backed and other	24.0	7.1	43.0	59.8	30.2
U.S. total	151.8	122.4	208.9	232.8	358.3
International public finance	7.0	18.3	1.1	2.7	0.7
International asset-backed and other	8.8	-	-	7.2	3.7
International total	15.8	18.3	1.1	9.9	4.4
Total adjusted gross premiums written	167.6	140.7	210.0	242.7	362.7
Net premiums written	119.2	125.3	253.0	126.8	222.3

**Table 1****Assured Guaranty Ltd. Operating Companies -- Business Statistics (cont.)**

<b>Gross par written</b>					
U.S. public finance	12,275	8,671	16,161	15,092	27,762
U.S. asset-backed and other	418	287	620	1,673	2,963
U.S. total	12,693	8,958	16,781	16,765	30,725
International public finance	128	391	35	127	34
International asset-backed and other	350	-	-	-	-
International total	478	391	35	127	34
Total gross par written	13,171	9,349	16,816	16,892	30,759
Net par written	13,171	9,331	16,816	16,892	30,759

\*Adjusted gross premiums written include upfront and present value of installment premiums and exclude trade credit.

U.S. statutory basis

Offices in key financial centers around the world provide the company with a global footprint from which to write a well-diversified mix of business. The company has sound relationships with underwriters, advisors, and frequent issuers, all of whom support an ongoing flow of business. In addition, its relationship with The Muni Center (TMC) provides the company with a strong source of secondary market opportunities. TMC is a municipal bond-trading platform. This is a retail product focused on small par-amount trades for which the company offers secondary market insurance.

In 2014, the company insured \$13.2 billion of total gross par, which was a 40% increase from 2013, with 96% of total gross par being in the U.S. public finance market. Par written in 2014 included a large transaction relating to the emergence of Detroit from bankruptcy. The company's business volume and pricing were heavily influenced by the compressed credit spread environment and competition from bond insurers in the U.S. public finance market.

Management continues to take a cautious approach to the structured finance business line, insuring only \$478 million of par in 2014. This business was mainly asset-backed securities transactions and tax-credit programs. The amount and type of structured finance business being written present low risk to the rating of the company.

The company's municipal RAP index for 2014 was 3.61% and was heavily weighted toward the U.S public finance business, which generated a 3.49% RAP index for 2014. The quality of this business was in the 'BBB+' to 'A-' range. With an expected rise in interest rates in late 2015 and 2016, and the expected widening of credit spreads, we expect the company's municipal RAP to improve and to be in excess of 4.0%. As has been the case over time, the international public finance business reported a much stronger 10.16% RAP index. In this market, the company benefits from the lack of direct competition and pricing freedom.

**Table 2****Assured Guaranty Ltd. Operating Companies -- Portfolio Statistics**

<b>--Year ended Dec. 31--</b>					
<b>(Mil. \$)</b>	<b>2014 % of net par</b>	<b>2014 par</b>	<b>2013 par</b>	<b>2012 par</b>	<b>2011 par</b>
<b>Public finance</b>					
GO	34.7	140,276	155,277	169,985	173,061

**Table 2**

<b>Assured Guaranty Ltd. Operating Companies -- Portfolio Statistics (cont.)</b>					
Utility	12.9	52,090	56,324	62,116	65,204
Tax-backed	15.5	62,525	66,824	73,787	78,006
Hospitals	3.7	14,848	16,132	17,838	19,495
Transportation	6.9	27,823	30,830	33,799	35,396
Colleges and universities	3.2	13,099	14,071	15,770	15,677
Investor-owned utilities	0.2	944	991	1,069	1,124
Housing	0.7	2,779	3,386	4,632	5,696
Special revenue	0.0	0	0	0	0
Other	1.9	7,739	8,345	8,968	9,414
<b>Total</b>	<b>79.8</b>	<b>322,123</b>	<b>352,180</b>	<b>387,966</b>	<b>403,073</b>
<b>Domestic asset-backed and corporate finance</b>					
MBS	1.9	7,679	11,442	14,631	17,676
Home equity loan	0.4	1,738	2,279	3,196	3,890
Auto loan	0.0	20	73	150	1,580
Other consumer asset-backed	0.5	2,079	2,125	3,244	3,959
Commercial asset-backed	0.0	0	0	0	0
Bank/financial institutions	0.0	0	0	0	0
Other	7.3	29,654	42,988	53,474	65,128
<b>Total</b>	<b>10.2</b>	<b>41,171</b>	<b>58,907</b>	<b>74,695</b>	<b>92,234</b>
<b>International</b>					
Public finance	7.8	31,359	33,998	37,540	39,046
Asset-backed	2.2	9,077	14,021	19,691	23,695
Other	0.0	0	0	0	0
<b>Total</b>	<b>10.0</b>	<b>40,436</b>	<b>48,019</b>	<b>57,231</b>	<b>62,741</b>
<b>Total net par outstanding</b>	<b>100.0</b>	<b>403,729</b>	<b>459,106</b>	<b>519,893</b>	<b>558,048</b>

U.S. statutory basis.

### **Management and governance : Experienced management team and strong understanding of the various risks the company faces**

We view Assured's management and corporate strategy as satisfactory. Management's priorities include increasing penetration in the U.S. public finance market, increasing new business activity in U.S. structured finance and international segments, assisting in the wind-down of inactive companies, and utilizing capital efficiently. Management has proven successful in achieving these goals with the growth of its U.S. public finance business, international infrastructure transactions, and selective structured finance underwriting. The experienced management team continues to demonstrate a strong understanding of the various risks the company faces. The individuals on the management team have a long history in the financial guarantee industry and the U.S. public finance market.

We have not identified any governance deficiencies in our assessment.

## Financial Risk Profile

The company's final capital adequacy score is '2' and the operating performance score is '3', leading to a financial risk profile score of '2'.

### Capital adequacy: Very strong

Assured's capital adequacy ratio in excess of 1.0x for year-end 2014. The capital adequacy ratio expresses the relationship between losses the capital adequacy model generates and capital remaining at the end of a theoretical economic depression.

**Table 3**

Assured Guaranty Ltd. Operating Companies -- Capital Statistics					
	--Year ended Dec. 31--				
(Mil \$)	2014	2013	2012	2011	2010
<b>Portfolio risk</b>					
Municipal insurance weighted average capital charge (% of average annual debt service)	15.1	14.6	14.7	15.0	9.2
Asset-backed capital charge (% of par)	12.1	4.5	4.4	4.4	2.5
<b>Model capital inputs</b>					
Statutory capital	6,472	6,136	5,944	5,688	4,915
Letters/lines of credit				200	498
Contingent capital	400	400	400	400	400
Excess of loss reinsurance	450	435	435	435	
Unearned premiums	3,299	3,545	3,833	4,036	4,220
Loss reserves	852	773	512	902	1,485
Present value of installment premiums	716	858	1,005	1,178	1,112
<b>Capital adequacy</b>					
Margin of safety (x)	>1.00	>1.00	>1.00	>1.00	0.80-1.00
Reliance on soft capital (%)	18.1	14.3	12.3	15.1	N.A.

N.A. -- Not available. U.S. statutory basis

The increase general in capital charges in 2011 through 2014 was the result of updated capital charges following the release of our revised bond insurance criteria on Aug. 25, 2011 (see table 3). The increase in the asset-backed capital charge from 2013 to 2014 is the result of the inclusion of the 2005-2007 vintage RMBS in this calculation. Prior to 2014, this asset class was stressed outside of the model against a scenario that applied stressful default assumptions to various RMBS-related transactions that the company has insured. There has been some deterioration in the insured portfolio relating to exposure to certain U.S. municipal issuers and issuers in Puerto Rico, but this deterioration was not the driver of the increase in capital charges.

The capital adequacy analysis includes the downgrades of various issuers within Puerto Rico that occurred after year-end 2014. Further analysis indicates that, if there were a default by multiple issuers in Puerto Rico over a one, two, or three year time period that, without accounting for any other factors, there would be no change in Assured's

capital adequacy score. Although the reported exposure to issuers within Puerto Rico may be large relative to statutory capital, claim payments are made over time based on the payment schedule of the insured issue. We will continue to monitor the situation as it develops in Puerto Rico and its impact on Assured.

For the commercial mortgage-backed securities exposure, we calculate stress losses outside of the model based on Assured's position in the capital structure. We also aggregate stress losses for groups of transactions and subtract any applicable deductible the company may have structured.

We expect Assured to maintain a capital adequacy ratio greater than 1.0x. This view includes an assumption the company will continue experiencing high refundings within its insured portfolios as a result of the current low interest rate environment. Refundings remove risk from the insured portfolio and build capital at an accelerated rate as a result of the release of premiums from the unearned premium reserve. Our view is also shaped by the combined high level of refundings and scheduled runoff of the insured portfolio as greater than the amount of new business being written, which deleverages the company.

As of Dec. 31, 2014, Assured had a largest obligor test violation, which weakened the capital adequacy score.

#### **Investment risk modifier: Neutral to the financial risk profile**

Assured's investment portfolio presents low risk because its investment strategy is liability-driven and targets sufficient liquidity to cover unexpected stress in the insured portfolio. Although external asset managers manage the portfolio, Assured takes ownership of the asset allocation and investment guidelines and has strict risk limits and sublimits by both sector and state that apply to municipal investments.

As of Dec. 31, 2014, approximately 80% of the \$11.5 billion investment portfolio (fair value) represented securities rated 'AA-' or better. The largest component of the long-term investment portfolio was in tax-exempt securities (51%). A significant portion of the self-insured bonds and all speculative-grade bonds in the investment portfolio were purchased as part of a loss-mitigation strategy. Ratings of bonds insured by other bond insurers reflect the ratings of the underlying issuer.

#### **Operating performance: Volatility of legacy-structured finance business diminishing**

We view Assured's operating performance as strong as a result of the runoff of the more volatile legacy structured finance portfolio and the long-term earnings power of the U.S public finance business.

**Table 4**

Assured Guaranty Ltd. Operating Companies -- Operating Performance					
	--Year ended Dec. 31--				
(%)	2014	2013	2012	2011	2010
Operating return on equity (AGL)	8.1	10.2	9.7	12.1	14.9
Municipal risk-adjusted pricing ratio	3.6	4.5	4.5	4.3	8.0
Structured risk-adjusted pricing ratio	12.1	14.5	29.0	14.3	27.9
Statutory combined ratio	54.9	66.1	104.0	22.7	136.1
Statutory loss ratio	(26.9)	0.8	62.0	(27.4)	103.1
Statutory expense ratio	81.8	65.3	42.0	50.1	33.0
Statutory return on revenue	83.5	78.5	50.4	81.0	12.7



**Table 4**

<b>Assured Guaranty Ltd. Operating Companies -- Operating Performance (cont.)</b>					
Insured portfolio speculative grade exposure	4.5	4.9	4.5	4.8	4.3
U.S. statutory basis					

Assured typically collects premiums associated with the U.S. public finance business up-front and earns them over the life of the underlying transaction, 20 years on average. As for the company's future earnings power, on Dec. 31, 2014, the unearned premium reserve totaled \$3.3 billion, down from \$3.5 billion for the prior year as a result of normal run-off and high refundings caused by low interest rates. We expect Assured's net earned premiums excluding refundings to continue declining as a result of the run-off of the insured portfolio and low new business production.

The recent acquisition of Radian Asset Assurance Inc. further enhances the long-term earnings of Assured. The acquisition added approximately \$159 million to the statutory unearned premium reserve and \$20 million-\$25 million in investment income. Additionally, the insured portfolio assumed by Assured does not change the risk profile of its total insured portfolio. Thereby, it presents minimal earnings volatility.

**Table 5**

<b>Assured Guaranty Ltd. Operating Companies -- Financial Statistics</b>					
	<b>--Year ended Dec. 31--</b>				
<b>(Mil. \$)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Total assets	11,195	11,078	11,086	11,271	11,177
Cash and invested assets	10,781	10,635	10,543	10,796	10,596
Net premiums earned	493	620	725	654	663
Losses and loss adjustment expense	(133)	5	451	(179)	676
Underwriting expense	226	218	178	201	326
Investment inc. including gains/(losses)	345	416	366	366	392
Net income	625	710	392	1,046	241
U.S. statutory basis					

The company's exposure to issuers within Puerto Rico may weaken operating performance should defaults begin to occur. However, unlike the 2005-2007 vintage residential mortgage-backed securities (RMBS) that negatively affected operating performance in the years after 2008, Assured's exposure to issuers within Puerto Rico is much smaller and debt service payments are scheduled over a much longer period of time. Claim payments on this exposure would create more of a long-term drag on earnings and internal capital generation than an event marked by earnings volatility.

### **Financial flexibility: Neutral to the financial risk profile**

Through AGL, the company has a good track record of raising capital, and we view financial flexibility as neutral to the rating. The operating companies have no preferred stock or external surplus notes outstanding. AGC and AGM each have undrawn contingent capital facilities of \$200 million. A portion of reinsurance to third parties is collateralized with high-quality assets that are held in trust for the benefit of AGM or AGC. Assured also has an excess-of-loss reinsurance agreement covering the U.S. municipal portfolio. We view the likelihood of future capital or liquidity needs at AGL or the operating companies as low.

## Other Assessments

### Enterprise risk management: Robust risk-reporting framework

Assured's ERM framework is strong, reflecting a positive assessment of the risk management culture. This is based on our assessment of an influential chief risk officer who reports directly to the board of directors independent of management, the presence of a robust risk-reporting framework, and a well-developed risk tolerance statement. Our favorable opinion of risk controls relating to underwriting risks, surveillance, and loss mitigation is influenced by the company's structured process for risk identification, risk monitoring, its detailed set of risk limits and policies, and its system of enforcement through well-defined authorities. In our assessment, strategic risk management at Assured is positive, given its deliberate consideration of risk and risk management in its decision-making framework. These positive assessments are partially offset by our neutral views of emerging risk management and risk models.

### Liquidity

We view Assured's liquidity as strong as a result of a conservative investment strategy that should adequately support the company's future liquidity needs. As of Dec. 31, 2014, Assured had \$837 million in cash and short-term investments. There was no bank line in place.

**Table 6**

Assured Guaranty Ltd. Operating Companies -- Liquidity Statistics					
	--Year ended Dec. 31--				
(%)	2014	2013	2012	2011	2010
Underwriting cash flow ratio	418.0	286.8	52.1	426.6	63.1
Liquid assets	93.1	92.8	94.2	95.7	96.1
High-risk assets and below A-	<1	<1	<1	<1	<1
Cash and short-term assets to loss payable ratio	366.8	652.7	256.8	164.6	106.1

U.S. statutory basis

Assured has a limited number of credit default swap contracts with counterparties that require the posting of eligible collateral based on the marked-to-market valuation. A majority of the credit support agreements in force to support the credit default swap notional exposures are conservatively capped based on our current ratings on Assured.

With regard to payments on the company's 2005-2007 vintage RMBS, representations and warranties settlements with Bank of America, Deutsche Bank, and UBS included each bank agreeing to pay specific amounts of future claims on certain RMBS transactions. These settlements have helped to improve Assured's liquidity position.

## Factors Specific To The Holding Company

Assured Guaranty US Holdings Inc. (Assured Holdings) and its subsidiary, Assured Guaranty Municipal Holdings Inc. (AGMH), are the obligors for all debt and hybrid securities for the consolidated group. The operating performance and debt-service needs of Assured Holdings and AGMH and the 'A-' issuer credit rating on AGL depend on AGC's, AGM's, and AG Re's ability to pay dividends.

**Table 7**

<b>Assured Guaranty Ltd. -- Financial Statistics</b>					
	<b>--Year ended Dec. 31--</b>				
<b>(Mil. \$)</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>	<b>2010</b>
Investment and cash	11,459	10,969	11,223	11,313	10,849
Unearned premium reserve	4,261	4,595	5,207	5,963	6,973
Stockholders' equity	5,758	5,115	4,994	4,652	3,670
Interest coverage (x)	8.8	11.5	9.0	9.1	9.4
Fixed-charge coverage (x)	6.8	8.7	7.0	7.2	7.8
Debt leverage (%)	14.3	8.5	8.5	11.8	13.0
Financial leverage (%)	23.8	18.9	19.0	22.9	25.1
U.S. GAAP					

The projected annual dividend capacities for AGM and AGC in each of the next three years are at least \$300 million, which is far more than the respective holding companies' debt-service needs. AG Re's projected dividend capacity is more than the planned shareholder dividend payments at AGL and could help support debt-service needs at Assured Holdings and AGMH.

## Accounting Considerations

We view AGL's accounting policies as generally consistent with industry standards and neutral to our ratings. AGL files consolidated statements according to U.S. generally accepted accounting principles (GAAP), whereas AGC, AGM, and MAC file financial statements under statutory accounting principles and consolidated GAAP financial statements. AG Re files financial statements according to U.S. GAAP.

The Financial Accounting Standards Board Accounting Standards Codification (ASC) 810 "Consolidation" addresses whether certain legal entities often used in securitization and other structured finance transactions should be included in the consolidated financial statements of any particular interested party. The remediation rights AGC or AGM might gain once an insured structured-finance transaction experiences stress may give AGC and AGM power over the most significant activities of the special-purpose entity (SPE). As a result, the assets and liabilities of the insured transaction may be consolidated on Assured's balance sheet. We do not view consolidation of these transactions as indicative of different or incremental risk relative to the company's nonconsolidated insurance exposure. From a risk perspective, we assess the guaranteed transactions as a capital charge for capital-adequacy modeling purposes. Because of this, we do not include the debt associated with SPEs in any leverage calculations or fixed-charge coverage ratios.

ASC 815 "Derivatives and Hedging" requires derivatives to be marked to market at each reporting date. In our opinion, this concept, insofar as it relates to the financial guarantee insurance industry, has introduced some earnings volatility that has little bearing on either the likelihood of a potential claim or a bond insurer's intrinsic earnings power. Unlike other financial sectors for which ASC 815 may be more relevant, bond insurers' contracts are not traded, and there is no business intention to trade to realize gains. Therefore, recording a marked-to-market loss because of changing spreads in the marketplace does not make sense from our analytic perspective. Because almost all credit-default swap (CDS) contracts expire without a claim, corresponding marked-to-market positions are usually zeroed out at maturity.

We believe that the insurers' statutory loss reserves indicate potential claims and thus a better representation of the economics of the financial guarantee. We also look to our own capital charge evaluations as good indicators of changes to the credit profile of any of the bond insurers' insured sectors.

ASC 820 "Fair Value Measurements and Disclosures," the valuation of Assured's derivative liabilities, must take into account the market's perception of AGL's nonperformance risk by incorporating the spreads of Assured's CDS. From a ratings perspective, the market's perception of Assured's ability to settle its obligations does not relieve it of its obligation to pay on its obligations, and Assured cannot transfer the obligation at the market value. Any gains taken from the deterioration in Assured's own creditworthiness are not considered economic or real for the purposes of our ratings analysis. Furthermore, we don't factor in any market-based gyrations unrelated to fundamental credit deterioration when considering capital and earnings.

AGM holds \$300 million of surplus notes from AGC and AGM holds \$100 million of surplus notes of MAC. Although AGC's and MAC's capital position benefits from the purchase of the notes, we have classified these notes as affiliated bonds with a 100% charge against AGM's surplus.

We adjust the leverage and return ratios that we use for AGL in Table 7 for the impact of ASC 810, 815, and 820.

## Related Criteria And Research

- Group Rating Methodology, Nov. 19, 2013
- Enterprise Risk Management, May 7, 2013
- Management And Governance Credit Factors For Corporate Entities And Insurers, Nov. 13, 2012
- Bond Insurance Rating Methodology And Assumptions, Aug. 25, 2011
- Use Of CreditWatch And Outlooks, Sept. 14, 2009
- Hybrid Capital Handbook: September 2008 Edition, Sept. 15, 2008

### Ratings Detail (As Of June 29, 2015)

#### Assured Guaranty (Europe) Ltd.

Financial Strength Rating

*Local Currency*

AA/Stable/--

Counterparty Credit Rating

*Local Currency*

AA/Stable/--

Financial Enhancement Rating

*Local Currency*

AA/Stable/--

#### Related Entities

##### Assured Guaranty Corp

Financial Strength Rating

*Local Currency*

AA/Stable/--

Issuer Credit Rating

*Local Currency*

AA/Stable/--

Financial Enhancement Rating

*Local Currency*

AA/Stable/--

## Ratings Detail (As Of June 29, 2015) (cont.)

**Assured Guaranty Ltd.**

Issuer Credit Rating	A/Stable/--
Junior Subordinated	BBB+
Senior Unsecured	A

**Assured Guaranty Municipal Corp.**

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Financial Enhancement Rating	
<i>Local Currency</i>	AA/Stable/--
Senior Secured	AA/Stable

**Assured Guaranty Municipal Holdings Inc.**

Issuer Credit Rating	
<i>Local Currency</i>	A/Stable/--
Junior Subordinated	BBB+
Senior Unsecured	A

**Assured Guaranty Re Ltd.**

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Financial Enhancement Rating	
<i>Local Currency</i>	AA/Stable/--

**Assured Guaranty Re Overseas Ltd.**

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--
Financial Enhancement Rating	
<i>Local Currency</i>	AA/Stable/--

**Assured Guaranty (UK) Ltd.**

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	AA/Stable/--
Financial Enhancement Rating	
<i>Local Currency</i>	AA/Stable/--

**Assured Guaranty US Holdings Inc**

Issuer Credit Rating	A/Stable/--
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**Municipal Assurance Corp.**

Financial Strength Rating	
<i>Local Currency</i>	AA/Stable/--
Issuer Credit Rating	
<i>Local Currency</i>	AA/Stable/--

**Ratings Detail (As Of June 29, 2015) (cont.)**

Financial Enhancement Rating	
<i>Local Currency</i>	AA/Stable/--
<b>Sutton Capital Trust I</b>	
Preferred Stock	A+
<b>Sutton Capital Trust II</b>	
Preference Stock	A+
<b>Sutton Capital Trust III</b>	
Preferred Stock	A+
<b>Sutton Capital Trust IV</b>	
Preferred Stock	A+
<b>Woodbourne Capital Trust I</b>	
Preferred Stock	A+
<b>Woodbourne Capital Trust II</b>	
Preferred Stock	A+
<b>Woodbourne Capital Trust III</b>	
Preferred Stock	A+
<b>Woodbourne Capital Trust IV</b>	
Preferred Stock	A+
<b>Holding Company</b>	Assured Guaranty Ltd.
<b>Domicile</b>	United Kingdom

\*Unless otherwise noted, all ratings in this report are global scale ratings. Standard & Poor's credit ratings on the global scale are comparable across countries. Standard & Poor's credit ratings on a national scale are relative to obligors or obligations within that specific country. Issue and debt ratings could include debt guaranteed by another entity, and rated debt that an entity guarantees.

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