

Assured Guaranty Inc.

Holding Company			
Action: Affirmed	Type	Rating	Outlook
Assured Guaranty US Holdings Inc. (AGUS)	Issuer	A+	Stable
▪ \$350 million 6.125% Senior Notes due 2028	Debt	A+	Stable
▪ \$500 million 3.150% Senior Notes due 2031	Debt	A+	Stable
▪ \$400 million 3.600% Senior Notes due 2051	Debt	A+	Stable
Operating Companies			
Action: Affirmed	Type	Rating	Outlook
Assured Guaranty Inc. (AG)	IFSR	AA+	Stable
Assured Guaranty (Europe) SA (AGE)	IFSR	AA+	Stable
Assured Guaranty UK Limited (AGUK)	IFSR	AA+	Stable

Methodology

[Financial Guaranty Global Rating Methodology](#)

[ESG Global Rating Methodology](#)

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insurance policies became direct insurance obligations of AG. The merger streamlined the organizational structure, improved operational and regulatory efficiencies, and strengthened AG's market position across its public finance, infrastructure, and structured finance businesses.

KBRA views new business opportunities for AG's diversified underwriting platform as strong, noting its solid market position. High-profile municipal defaults and events like the COVID-19 pandemic and severe hurricanes have heightened awareness of the benefits of financial guaranty products. Further market volatility or a sustained widening of credit spreads may further increase demand as issuers seek lower borrowing costs or investors explore other forms of regulatory capital relief. Institutional demand has increased, evidenced by more insured transactions exceeding \$100 million in par, and Assured's combined platform and balance sheet have expanded its large deal capacity.

The platform-wide expertise of Assured Guaranty Ltd. (AGL) and its subsidiaries (collectively, Assured) in surveillance and work-outs helps mitigate credit risk and limit losses while growing its insured portfolio. The portfolio consists mainly of long-term obligations, reducing loss exposure during downturns. Assured continues to pursue measured growth across its three key segments—U.S. public finance, international infrastructure, and global structured finance—while expanding its geographic reach. New business is primarily focused on U.S. and non-U.S. public finance markets, including infrastructure, with selective growth in global structured finance. While involvement in the latter two sectors is generally characterized by long lead times, the business opportunities serve to diversify its risk profile beyond U.S. public finance.

While new business origination remains below pre-crisis levels, insured penetration in the municipal market continues to modestly trend up. Increased new business volumes, primarily from the U.S. municipal sector, have helped offset the run-off in the insured portfolio, contributing to slightly higher leverage ratios, though still low by historical standards. Production has grown in higher-risk sectors like healthcare, higher education, and global infrastructure, which offer richer pricing but also contribute

Rating Summary:

AG's rating reflects its strong capital position and substantial claims-paying resources relative to conservative stress scenario losses. The company benefits from a skilled management team and strong risk management framework, positioning it well to withstand KBRA's stress losses as well as adverse market conditions. AG's diversified underwriting platform, focused on public finance, international infrastructure, and structured finance continues to strengthen its market presence. While AG's only material remaining Puerto Rico exposure relates to the Puerto Rico Electric Power Authority (PREPA), KBRA also notes the company's exposure to some large UK water utility transactions and Spanish solar credits.

With respect to PREPA, while uncertainty remains due to the overlay of, and susceptibility to further legal, political and other execution risks, KBRA continues to incorporate this risk through its conservative deterministic stress case losses. However, KBRA continues to observe that the company's financial position has become significantly less vulnerable to unfavorable outcomes with respect to Puerto Rico and the impact of KBRA's conservative stress case within KBRA's cash flow analysis has significantly declined. Even with a full loss on scheduled PREPA debt service, KBRA estimates that AG's capital position would remain at a comfortable level relative to its current rating, which demonstrates the strength of the company's balance sheet relative to its risk profile. Stress losses for the UK water utility and Spanish solar exposures are incorporated within the KBRA Portfolio Loss Simulation (KPLS) Model analysis.

On August 1, 2024, Assured Guaranty Municipal Corp. (AGM) merged into Assured Guaranty Inc. (fka Assured Guaranty Corp. or AGC), consolidating the two entities. Assured Guaranty UK Limited and Assured Guaranty (Europe) SA became AG subsidiaries. All existing AGM



to higher stress losses in the KPLS, all things equal, particularly at lower rating levels. These sectors, however, remain a relatively small part of the overall insured portfolio.

KBRA believes Assured views asset management as a way to diversify earnings. After acquiring, rebranding, and managing an asset management business, Assured combined it with Sound Point Capital Management, L.P. (Sound Point), receiving an ownership stake in the combined firm, which focuses on structured credit. As of July 1, 2023, Sound Point became the sole alternative asset manager for the platform. With increased alternative investment allocations, KBRA will monitor potential impacts on claims-paying resources or shifts in the risk profile.

The Stable Outlook reflects KBRA's conservative stress case loss analysis which incorporates significant portfolio deterioration across multiple sectors relative to current performance which should contribute to operational and financial stability if ultimate losses do not approach or exceed modeled levels. Further, the Outlook reflects KBRA's expectation that balance sheet strength remains strong, with claims-paying resources remaining level relative to insured risk.

Key Credit Considerations	+ / -
Strong Claims-Paying Resources AG's balance sheet has a strong ability to withstand KBRA's conservative stress case loss assumptions across the insured portfolio.	+
Increased Diversification Through Portfolio Run-Off and Underwriting Strategy The substantial run-off of higher risk components of the portfolio, including Puerto Rico, has continued although KBRA notes some other large non-investment grade exposures have emerged. The large in-force portfolio and a multi-sector underwriting strategy across geographies enhance diversification.	+
Experienced Management Team and Robust Risk Management Platform AG has an experienced management team and a well-established, high-functioning operating platform, supported by strong governance and integrated risk management systems and processes which are aligned with industry best practices. Further, a strong regulatory environment places meaningful controls over management.	+
Strong Intra-Group Financial Support AGUK and AGE benefit from extensive intra-group financial support agreements, including co-insurance, quota share, excess of loss reinsurance, and a net worth maintenance agreement. These agreements are key factors in KBRA's financial strength ratings for both entities.	+
Increased Municipal Market Insured Penetration Municipal market insured penetration has increased and is currently at its highest levels since 2009.	+
Some Uncertainty in Puerto Rico Resolution and Recovery for Remaining Exposure The timing of final resolution in Puerto Rico, and to a lesser extent the ultimate level of losses and anticipated recovery, may remain susceptible to further legal, political, and other execution or event risks that are largely beyond Assured's control.	-
Industry Trends of Narrow Credit Spreads Industry trends of narrow credit spreads, volatile interest rates, and limited market penetration continue, though Assured has prudently managed its market share.	-
Potential Stress from Higher-Risk Sectors, with Focus on U.S. Municipal Market New business origination or rating downgrades of existing credits in higher-risk sectors of the municipal market, international infrastructure, or global structured finance may lead to greater stress losses in KBRA's loss simulation model. However, the majority of insured exposure continues to be concentrated in the U.S. municipal market; increased new business production outside of the U.S. municipal market could potentially change the company's risk profile.	-
Exposure to Alternative Asset Strategy The ramp up in the allocation to alternative assets within AG's investment portfolio, while offering higher returns, also introduces incremental risk relative to the company's historical asset mix.	-

Rating Sensitivities	
<ul style="list-style-type: none"> ▪ Developments related to Puerto Rico exposures that materially increase the likelihood of an ultimate resolution with a fixed time horizon ▪ Market factors that include a more favorable interest rate environment, firmer pricing conditions and sustainable profitability 	+
<ul style="list-style-type: none"> ▪ Significant downward rating migration among credits within the insured portfolio (particularly large credits), driven by a tightening credit cycle or otherwise, which may increase modeled stress losses or materially shift the risk profile of the insured portfolio. ▪ Capital distributions or payment of dividends at a rate or level which materially impacts the balance and claims-paying resources relative to insured portfolio risk. ▪ Investment strategy execution that is too aggressive and negatively impacts claims paying ability. 	-



KBRA's Stress Losses by Portfolio Segment (\$ in billions)

Portfolio Segment	Net Par (Q2 2024)	Financial Guaranty Stress Loss (Future Value)	Comment
Distressed credits	2.4	0.5	Puerto Rico and other distressed credits, including RMBS
Balance of portfolio	191.1	4.4	KPLS model
Total	193.4	4.9	Aggregate stress losses incorporated in Bond Insurer Cash Flow Analysis

Rating Determinants (RD)

1. Corporate Assessment
2. Insured Portfolio and Modeling Analysis
3. Claims-Paying Resources and Financial Profile

RD 1: Corporate Assessment

Management Updates

The executive team remains highly experienced, with long tenures in both the financial guaranty and insurance industries. The two recent changes to the executive team are detailed below.

Robert A. Bailenson was appointed Chief Operating Officer of AGL as of January 1, 2024, after serving as Chief Financial Officer from 2011-2023. He has been with Assured since 1990.

Benjamin Rosenblum was appointed Chief Financial Officer of AGL on January 1, 2024. Previously, he was Chief Actuary of AGL from 2021-2023 and has been with the company since 2004, overseeing the loss reserve functions across several subsidiaries.

Ownership Structure Updates

As of August 1, 2024, AG is a wholly owned subsidiary of Assured Guaranty Municipal Holdings Inc. (AGMH), which is wholly owned by AGUS, which is, in turn, wholly owned by AGL. AG owns 100% of AGUK's common stock and over 99% of AGE's, with operations supported through intercompany agreements. AG is domiciled in Maryland.

Business Strategy

The recent merger simplified and streamlined Assured Guaranty Ltd.'s organizational structure, creating capital, operational, and regulatory efficiencies, while enhancing its global market-leading position. Assured continues to expand its geographic reach and diversify premiums as management continues to position its business to optimize its market position and future growth opportunities. AG underwrites global public finance, infrastructure, and structured finance transactions, maintaining its leadership position in the financial guaranty industry. AGUK and AGE focus on international public finance and structured finance, with AGE covering the EEA and AGUK handling business in the U.K. and other non-EEA countries.

Though its core business platforms no longer directly include asset management, its ownership interest in Sound Point supports earnings diversification, a key strategic initiative. KBRA monitors any potential impacts of asset allocations on claims-paying resources or changes in overall risk profile from a policyholder perspective. Assured has also previously deployed funds into smaller alternative investments. Alternative investments are typically reviewed case-by-case relative to claims-paying resources and typically applies haircuts in our cash flow analysis to reflect the increased risk and lower liquidity of these assets.

Corporate Governance

The AGL board of directors (Board) oversees corporate governance for all subsidiaries, including AG, and defines the organization's strategy. It consists of nine members, with the CEO as the only non-independent director. The roles of Chairman and CEO are separate, and all directors are well-qualified to oversee AGL's operations, in KBRA's view.

The Board functions through seven committees: Audit, Compensation, Environmental and Social Responsibility, Finance, Nominating and Governance, Risk Oversight, and Executive. The CEO serves only on the Executive Committee, which handles urgent matters between Board meetings.

AG, AGUK, and AGE also have boards of directors. AG's board is composed of senior executives, while AGUK and AGE include independent directors. KBRA considers Assured's governance to be strong.

AGUK and AGE Financial Support Agreements

AGUK and AGE benefit from substantial financial support from AG through co-insurance, quota share, excess of loss reinsurance, and a net worth maintenance agreement. These agreements play a key role in KBRA's financial strength ratings for both entities. No changes were made to these agreements following the consolidation.

Risk Management

Underwriting risk is the company's most significant exposure. Assured's risk management framework, overseen by the Board's Risk Oversight Committee (ROC), is managed by the Chief Risk Officer and the Portfolio Risk Management Committee (PRMC), which consists of senior executives.

The risk management department prepares the corporate-wide risk appetite statement and provides research to the PRMC for policy development and review. The PRMC meets at least quarterly to assess the insured portfolio and market trends, with all decisions reported to the ROC.

Surveillance

AG's surveillance is integrated across all AGL companies, prioritizing reviews based on risk, among other factors. Credits are assigned to one of six categories, determining the frequency of ongoing monitoring.

KBRA considers the surveillance process comprehensive, offering strong oversight and timely intervention for underperforming credits.

RD 2: Insured Portfolio and Modeling Analysis

Insured Portfolio

All par numbers shown below are on a statutory, pro-forma basis as of June 30, 2024, which reflects the company merger and includes exposures at AGUK and AGE though exclude bond purchases.

AG's insured portfolio is diversified across issuers, sectors, and geographies, primarily consisting of U.S. public finance (78%) and international infrastructure (20%), with minimal exposure to global structured finance (3%). Below investment-grade exposures have generally decreased due to the resolution or amortization of Puerto Rico credits.

Underwriting leverage has decreased over time as run-off exceeded new originations, though recent new business growth has led to a slight uptick. KBRA expects leverage to modestly trend upwards. Public finance originations now include more healthcare and infrastructure exposures, which bring higher risk, all else equal, but remain a small portion of the portfolio.

Most reinsurance is ceded to Assured affiliates, with AG reassuming nearly all business it had historically ceded externally. KBRA will monitor future portfolio shifts due to new originations or run-off, which may affect policyholders, though run-off continues to mitigate legacy risks, especially in structured finance.

AG Insured Portfolio		
Par Outstanding (\$ in thousands)	Q2 2024	%
Net Par	\$ 193,439,617	77%
Ceded Par	56,261,852	23%
Assured Affiliated	55,780,504	22%
Other	481,348	0%
Gross Par	\$ 249,701,469	100%

Note: Includes adjustments for loss mitigation bonds.

Source: AG



Insured Portfolio Summary					
Net Par Outstanding (\$ in thousands)			Net Par Outstanding (\$ in thousands)		
Issue Type	Q2 2024	%	Rating ⁽¹⁾	Q2 2024	%
US Public Finance	\$ 150,030,138	77.6%	AAA	\$ 2,382,484	1.2%
Intl Public Finance	37,810,400	19.5%	AA	18,695,020	9.7%
Global Structured Finance	5,599,078	2.9%	A	92,871,796	48.0%
			BBB	75,037,472	38.8%
			BIG	4,452,845	2.3%
	\$ 193,439,617	100.0%		\$ 193,439,617	100.0%
U.S. Public Finance					
Net Par Outstanding (\$ in thousands)			Net Par Outstanding (\$ in thousands)		
Disclosure Sector	Q2 2024	%	Rating ⁽¹⁾	Q2 2024	%
General Obligation	\$ 57,651,286	38.4%	AAA	\$ 15,620	0.0%
Tax-supported	25,187,835	16.8%	AA	14,074,476	9.4%
Municipal Utility Revenue	22,757,893	15.2%	A	81,312,938	54.2%
Transportation Revenue	19,923,109	13.3%	BBB	52,026,991	34.7%
Health Care Revenue	10,541,512	7.0%	BIG	2,600,113	1.7%
Infrastructure Finance	6,519,758	4.3%		\$ 150,030,138	100.0%
Education/University	5,594,695	3.7%			
Housing Revenue	918,630	0.6%			
Other Public Finance	677,242	0.5%			
Investor Owned Utilities	138,737	0.1%			
Renewable Energy	119,441	0.1%			
	150,030,138	100.0%			
International Infrastructure					
Net Par Outstanding (\$ in thousands)			Net Par Outstanding (\$ in thousands)		
Disclosure Sector	Q2 2024	%	Rating ⁽¹⁾	Q2 2024	%
Regulated Utilities	14,720,250	38.9%	AAA	\$ 1,428,946	3.8%
Infrastructure Finance	12,649,820	33.5%	AA	2,744,368	7.3%
Sovereign and Sub-Sovereign	8,315,619	22.0%	A	10,201,669	27.0%
Renewable Energy	1,566,614	4.1%	BBB	22,400,439	59.2%
Pooled Infrastructure	558,098	1.5%	BIG	1,034,977	2.7%
	\$ 37,810,400	100.0%		\$ 37,810,400	100.0%
Global Structured Finance					
Net Par Outstanding (\$ in thousands)			Net Par Outstanding (\$ in thousands)		
Disclosure Sector	Q2 2024	%	Rating ⁽¹⁾	Q2 2024	%
Residential Mortgages	\$ 1,715,924	30.6%	AAA	\$ 937,918	16.8%
Insurance Securitization	1,337,687	23.9%	AA	1,876,176	33.5%
Pooled Corporate Obligations	924,866	16.5%	A	1,357,189	24.2%
Subscription Finance Facilities	756,814	13.5%	BBB	610,041	10.9%
Structured Credit	306,455	5.5%	BIG	817,754	14.6%
Other Structured Finance	199,054	3.6%		\$ 5,599,078	100.0%
Commercial Mortgage-Backed Securities	190,145	3.4%			
Consumer Receivables	168,134	3.0%			
	\$ 5,599,078	100.0%			

⁽¹⁾ Reflects Assured internal rating category.
 Note: Includes adjustments for loss mitigation bonds.
 Source: AG

Portfolio Stress Analysis

To develop stress case losses for AG's \$193.4 billion portfolio, KBRA employed (i) a Monte Carlo simulation and (ii) deterministic analysis for Puerto Rico exposures and other distressed exposures, including RMBS. Each of these approaches is discussed further below.

KBRA Portfolio Loss Simulation (KPLS) Model

The KPLS Model simulates default and severity performance for each insured credit over the remaining life of the portfolio using assigned ratings and sectors. KBRA assessed AG's internal ratings and made various adjustments, selecting a cross-section of credits for analysis.

The KPLS Model produces a series of 100,000 paths where each path assesses the probability of future defaults for each credit in each year of its remaining life. If a credit defaults, a sector-specific severity assumption is applied against the amount of debt outstanding at that point in time to calculate loss amount. The model generates 100,000 paths to produce a broad distribution of results utilized by KBRA to develop a stress scenario analysis.

For AG, the aggregate of all annual loss payments at the 97.9% confidence level (equivalent to a 'AA+' rating) was \$4.4 billion on a future value basis. Conservative assumptions for refunding activity in AG's insured municipal portfolio were also applied.

Puerto Rico

KBRA applied a discrete stress scenario to AG's net Puerto Rico exposure, focusing on PREPA, which remains under the Title III process and susceptible to ongoing uncertainty and event risk. The stress scenario has been adjusted over time with market developments. The scenario assumes a full three-year moratorium on debt service, with AG covering 100%



of scheduled principal and interest payments. After the moratorium, loss severity assumptions of 25% to 40% are applied as debt service comes due. For all claim payments made during the moratorium period, AG is assumed to recover 35% (65% severity) starting in year six. Given the resolution of HTA exposure, HTA debt service was assumed to be covered by AG, benefiting from collateral under the Title III exchange as well as loss reserves. All remaining Puerto Rico exposure within the insured portfolio as of June 30, 2024, was conservatively subject to the stress scenario, though AG has never paid a claim on them. Under these scenario assumptions, total stress case losses amount to \$0.3 billion.

Residential Mortgage Backed Securities and Other Distressed Credits

KBRA reviewed RMBS exposures at the CUSIP and insured tranche level as of June 30, 2024, estimating loan level losses under stressful conditions, including a 40% property value decline. The analysis considered residential loan-level losses on insured tranches based on waterfall provisions and projected subrogation recoveries.

KBRA also estimated losses for a few other defaulted or impaired credits, with total net outflows for RMBS and distressed credits amounting to \$0.2 billion on a future value basis.

Bond Insurer Cash Flow Analysis

KBRA's cash flow analysis projects AG's financial performance over a 35-year period under stress conditions, assessing the insurer's ability to meet claims and expenses. KBRA then evaluates the outputs of the cash flow analysis from both a present and future value perspective to develop a comprehensive view of an insurer's overall financial strength.

The starting point is AG's Claims Paying Resources (defined in the "Claims Paying Resources" section below) which reflects the company's beginning base of available invested assets. The analysis assumes that assets earn interest at AG's current yield levels, generally adjusted down based on tenor and average rating for credit, interest rate and liquidity risks. Future installment premiums are reduced by 10%, and operating expenses are assumed to decrease sharply after an initial rise, reflecting a company in run off.

KBRA utilizes cash flow analysis to evaluate the ability of a financial guarantor to pay projected claims and expenses over time on a future value basis. In the stress scenario, AG's total future value losses amount to \$4.9 billion, comprising \$4.4 billion from Monte Carlo simulations and \$0.5 billion from Puerto Rico and other distressed credits. AG is able to cover all claims and expenses, with significant assets remaining after 35 years.

KBRA also considers the Stress Capital Balance (SCB), which provides a present value measure of capital adequacy. Based on KBRA's stress scenario assumptions, AG achieves a SCB in excess of \$2.5 billion. In KBRA's opinion, these results are consistent with the company's current rating level.

RD 3: Claims-Paying Resources and Financial Profile

Claims-Paying Resources

KBRA defines claims-paying resources as the sum of unearned premium reserves, loss and loss adjustment reserves, contingency reserves, and policyholder's surplus. Within the combined AG pro-forma presentation below as of June 30, 2024, intercompany surplus notes were excluded as they are considered subordinate assets, in KBRA's view. AG's claims-paying resources exceeded \$7.0 billion.

Select Statutory Balance Sheet Data	KBRA Combined	AGM		AG
	AG Pro-Forma	6/30/2024		6/30/2024
\$ in thousands	6/30/2024			
KBRA Claims Paying Resources:				
Unearned premium reserves	\$ 2,101,077	\$ 1,759,897	\$ 341,180	
Loss & LAE reserves	7,622	(31,196)	38,817	
Contingency reserve	1,330,909	909,379	421,530	
Policyholder surplus	3,947,918	2,599,235	1,648,683	
Adjustments*	-	(300,000)	-	
Total CPR (KBRA defined)	\$ 7,387,526	\$ 4,937,315	\$ 2,450,211	
Net statutory par outstanding (NPO)	193,439,000	164,916,000	29,894,000	
Net statutory debt service outstanding (NDSO)	311,795,000	265,672,000	48,358,000	
Leverage NPO/CPR	26x	33x	12x	
Leverage NDSO/CPR	42x	54x	20x	

Note: Unearned premium reserves exclude deferred ceding commission.

*Reflects investment in AG surplus note.

Source: statutory financial statements and company presentations.



Select Assured Guaranty Inc. (fka Assured Guaranty Corp.) Statutory Balance Sheet Data						
\$ Thousands	6/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Claims paying resources:						
Unearned premium reserves	\$341,180	\$336,338	\$311,137	\$336,011	\$303,470	\$356,718
Loss & LAE reserves	38,817	(107,590)	(49,346)	7,072	13,542	151,195
Contingency reserve	421,530	419,642	346,940	348,062	545,495	545,609
Policyholder surplus	1,648,683	1,650,573	1,916,078	2,069,827	1,716,777	1,775,111
Adjustments*	-	-	-	-	(117,917)	(102,792)
Total claims paying resources (KBRA definition)	\$2,450,211	\$2,298,964	\$2,524,809	\$2,760,972	\$2,461,368	\$2,725,841
Net statutory par outstanding (NPO)	\$29,894,000	\$29,114,000	\$20,951,000	\$21,604,000	\$19,948,000	\$22,937,000
Net statutory debt service outstanding (NDSO)	\$48,359,000	\$47,395,000	\$32,983,000	\$33,024,000	\$29,966,000	\$35,172,000
Leverage: NPO/Claims paying resources (X)	12x	13x	8x	8x	8x	8x
Leverage: NDSO/Claims paying resources (X)	20x	21x	13x	12x	12x	13x

Note: Unearned premium reserves exclude deferred ceding commission.

* Reflects investment in Municipal Assurance Corp. (MAC).

Source: AG statutory statements and financial supplements with adjustments for loss mitigation bonds.

Select AGM Statutory Balance Sheet Data						
\$ Thousands	6/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020 ⁽¹⁾	12/31/2019
Claims paying resources:						
Unearned premium reserves	\$1,759,897	\$1,748,859	\$1,734,623	\$1,709,901	\$1,708,453	\$1,438,692
Loss & LAE reserves	(31,196)	5,233	(27,327)	11,290	62,598	195,267
Contingency reserve	909,379	875,806	855,110	877,303	1,011,916	868,912
Policyholder surplus	2,599,235	2,646,245	2,746,529	3,053,018	2,762,885	2,691,407
Adjustments*	(300,000)	(300,000)	(300,000)	(300,000)	(300,000)	(458,764)
Total claims paying resources (KBRA definition)	\$4,937,315	\$4,976,143	\$5,008,934	\$5,351,512	\$5,245,852	\$4,735,514
Net statutory par outstanding (NPO)	\$164,916,000	\$161,630,000	\$154,628,000	\$152,812,000	\$136,115,000	\$129,562,000
Net statutory debt service outstanding (NDSO)	\$265,672,000	\$260,771,000	\$249,089,000	\$241,985,000	\$219,534,000	\$212,011,000
Leverage: NPO/Claims paying resources (X)	33x	32x	31x	29x	26x	27x
Leverage: NDSO/Claims paying resources (X)	54x	52x	50x	45x	42x	45x

Note: Unearned premium reserves exclude deferred ceding commission.

(1) Restated for merger of MAC into AGM in 2021 (MAC Merger Transaction).

* Reflects investments in subsidiaries and AG surplus note.

Source: AGM statutory statements and financial supplements with adjustments for loss mitigation bonds.

Balance Sheet

AG's balance sheet has remained relatively stable in recent years, maintaining strong liquidity and substantial policyholder surplus, even with significant claims payments related to insured Puerto Rico exposures.

Assured Guaranty Inc. (fka Assured Guaranty Corp.) Statutory Balance Sheet						
\$ Thousands	6/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Bonds	\$1,892,953	\$1,817,501	\$2,055,728	\$2,118,089	\$2,043,893	\$2,311,507
Stocks (includes Investments in Affiliates)	706	790	790	1,136	119,295	104,274
Cash & short term investments	115,931	47,210	136,027	281,186	104,546	118,943
Derivatives, receivables, other invested assets	458,570	441,642	324,115	335,302	306,845	293,087
Total cash and invested assets, net admitted	\$2,468,159	\$2,307,143	\$2,516,660	\$2,735,714	\$2,574,579	\$2,827,811
Investment income due and accrued	19,687	18,580	20,245	19,960	21,150	22,783
Deferred tax asset	27,924	39,069	42,040	46,110	50,972	46,448
Receivable from parent	1,186	242	300	546	582	2,760
Other assets	18,146	28,750	(5,309)	71,469	17,202	27,241
Total Assets, net admitted	\$2,535,101	\$2,393,783	\$2,573,935	\$2,873,798	\$2,664,486	\$2,927,044
Loss and LAE Reserves	38,817	(107,590)	(49,346)	7,072	13,542	151,195
Unearned Premium Reserve	341,180	336,338	311,137	336,011	303,470	356,718
Contingency reserve	421,530	419,642	346,940	348,062	545,495	545,609
Other liabilities	84,890	94,819	49,126	112,826	85,201	98,411
Total Liabilities	\$886,418	\$743,210	\$657,857	\$803,971	\$947,708	\$1,151,933
Common capital stock	15,000	15,000	15,000	15,000	15,000	15,000
Surplus Notes	300,000	300,000	300,000	300,000	300,000	300,000
Gross paid-in and contributed surplus	427,465	427,465	623,306	623,306	623,306	623,306
Unassigned Funds	906,218	908,108	977,772	1,131,521	778,471	836,805
Policyholder Surplus	\$1,648,683	\$1,650,573	\$1,916,078	\$2,069,827	\$1,716,777	\$1,775,111
Total Liabilities and Policyholder Surplus	\$2,535,101	\$2,393,783	\$2,573,935	\$2,873,798	\$2,664,486	\$2,927,044
Cash & short term assets/Total assets (%)	4.6%	2.0%	5.3%	9.8%	3.9%	4.1%
Bonds/Total assets (%)	74.7%	75.9%	79.9%	73.7%	76.7%	79.0%

Source: AG Statutory Statements

AGM Statutory Balance Sheet						
\$ Thousands	6/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020 ⁽¹⁾	12/31/2019
Bonds	\$2,458,710	\$2,496,282	\$3,163,270	\$3,186,150	\$3,637,998	\$3,157,778
Stocks (includes Investments in Affiliates)	661,765	794,193	879,135	1,082,960	1,117,499	1,174,696
Cash & short term investments	909,717	829,142	362,799	499,620	243,829	160,350
Other invested assets and receivables	1,255,526	1,220,936	974,659	1,015,555	907,259	814,052
Total cash and invested assets, net admitted	\$5,285,718	\$5,340,553	\$5,379,862	\$5,784,284	\$5,906,585	\$5,306,876
Investment income due and accrued	33,990	32,199	33,317	31,798	35,401	32,004
Deferred tax asset	23,223	23,775	25,797	29,133	23,512	20,780
Other assets	41,430	42,244	38,524	50,811	28,100	43,214
Total Assets, net admitted	\$5,384,361	\$5,438,772	\$5,477,500	\$5,896,026	\$5,993,598	\$5,402,873
Loss and LAE Reserves	(31,196)	5,233	(27,327)	11,290	62,598	195,267
Unearned Premium Reserve	1,759,897	1,748,859	1,734,623	1,709,901	1,708,453	1,438,692
Contingency reserve	909,379	875,806	855,110	877,303	1,011,916	868,912
Other liabilities	147,046	162,629	168,566	244,514	447,746	208,595
Total Liabilities	\$2,785,126	\$2,792,528	\$2,730,972	\$2,843,008	\$3,230,713	\$2,711,467
Common capital stock	15,000	15,000	15,000	15,000	15,000	15,000
Surplus Notes	-	-	-	-	-	-
Gross paid-in and contributed surplus	283,697	384,079	376,363	376,363	376,363	376,363
Unassigned Funds	2,300,538	2,247,166	2,355,166	2,661,655	2,371,522	2,300,044
Policyholder Surplus	\$2,599,235	\$2,646,245	\$2,746,529	\$3,053,018	\$2,762,885	\$2,691,407
Total Liabilities and Policyholder Surplus	\$5,384,361	\$5,438,772	\$5,477,500	\$5,896,026	\$5,993,598	\$5,402,873
Cash & short term assets/Total assets (%)	16.9%	15.2%	6.6%	8.5%	4.1%	3.0%
Bonds/Total assets (%)	45.7%	45.9%	57.8%	54.0%	60.7%	58.4%

(1) Restated for MAC Merger Transaction.

Source: AGM statutory statements

Investments

AG's investment portfolio consists mainly of liquid, high-quality fixed income securities, including municipal and corporate bonds. While a small portion of lower-quality assets, like Puerto Rico bonds, remain from loss mitigation efforts, most have been monetized. Some investments are deployed in Sound Point managed funds, with the majority in high-quality fixed income. Portfolio yields have risen due to the higher interest rate environment, modest alternative asset allocation, and the impact of loss mitigation bonds.

Between holdings at its insurance subsidiaries and intermediate holding companies, there is approximately \$803 million in alternative investments, with a 13% inception-to-date return. KBRA will continue to monitor the risk profile of invested assets relative to claims paying strength as AG allocates more unearned premium reserves to higher-volatility assets.

AG Investment Portfolio Composition (6/30/2024)

\$ Millions	Amortized		Pre-tax Book Yields
	Cost	% of portfolio	
U.S. State and Political Subdivisions	\$898	43%	3.59%
U.S. Agency Obligations	17	1%	3.27%
Corporate Securities	458	22%	3.90%
RMBS	83	4%	5.24%
CMBS	52	2%	4.16%
CLOs	52	2%	7.34%
Other ABS	430	20%	3.62%
Total Fixed Maturities	1,991	95%	3.85%
Short term investments and cash	111	5%	4.71%
Grand Total	\$2,102	100%	3.89%

Note: cash excluded from total yield calculations.
Source: AG financial supplement

AGM Investment Portfolio Composition (6/30/2024)

\$ Millions	Amortized		Pre-tax Book Yields
	Cost	% of portfolio	
U.S. State and Political Subdivisions	\$1,081	24%	3.29%
U.S. Government	42	1%	2.42%
Corporate Securities	1,241	27%	2.78%
RMBS	314	7%	5.66%
CMBS	106	2%	4.03%
CLOs	327	7%	7.53%
Other ABS	99	2%	5.46%
Non-U.S. Government	85	2%	1.16%
Total Fixed Maturities	\$3,295	72%	3.77%
Short term investments and cash	1,282	28%	0%
Grand Total	\$4,577	100%	2.72%

Note: cash excluded from total yield calculations.
Source: AGM financial supplement

Income Statement

For the first half of 2024, consolidated statutory net income was primarily driven by investment earnings. The company continues to generate steady earnings from portfolio run-off, new writings, and consistent investment income.

Underwriting results have fluctuated historically due to large rep and warranty loss recoveries from RMBS exposures and strategic initiatives like industry consolidations or internal portfolio cessions. Recent results reflect changes in Puerto Rico loss reserves and the impact of the low interest rate environment on investment returns.

The prolonged low interest rate environment and narrow U.S. municipal credit spreads have historically dampened new business production across the financial guaranty sector, leading to elevated expense ratios despite stable expenses. However, due to the nature of financial guaranty reserving, traditional insurance benchmarks like expense and loss ratios offer limited comparability within the sector.

Select Assured Guaranty Inc. (fka Assured Guaranty Corp.) Statutory Income Data							
\$ Thousands	6/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019	
Gross Premiums Written (GPW)	\$40,750	\$85,906	\$56,821	\$73,445	\$35,247	\$54,182	
Net Premiums Written	29,637	66,476	41,020	87,917	21,694	34,068	
Net Premiums Earned (NPE)	24,629	43,135	61,614	54,500	76,692	69,234	
Loss & loss adjustment expenses (L&LAE)	(16,253)	(40,478)	2,926	(50,901)	25,506	(21,784)	
Other underwriting expenses	37,937	73,889	60,692	60,131	55,874	58,336	
Total losses & operating expenses	21,684	33,412	63,618	9,230	81,380	36,552	
Net underwriting gain (loss)	2,944	9,724	(2,004)	45,270	(4,688)	32,682	
Net investment gain	53,971	77,642	62,423	225,288	69,009	169,881	
Other income, net gain (loss)	2,786	22,706	4,570	10,140	5,793	13,270	
Earnings Before Taxes	59,701	110,071	64,988	280,698	70,114	215,833	
Net Income (Loss)	\$52,923	\$79,419	\$61,706	\$281,955	\$73,075	\$225,868	
Dividends Paid	\$59,100	\$101,500	\$206,900	\$94,100	\$166,000	\$122,700	
Expense ratio (Underwriting exp. / GPW)	93.1%	86.0%	106.8%	81.9%	158.5%	107.7%	
Loss ratio (L&LAE / NPE)	-66.0%	-93.8%	4.7%	-93.4%	33.3%	-31.5%	
Combined ratio	27.1%	-7.8%	111.6%	-11.5%	191.8%	76.2%	
Return on Surplus (ROS) Pre-tax basis *	7.2%	6.2%	3.3%	14.8%	4.0%	12.1%	
Return on Surplus (ROS) After-tax basis *	6.4%	4.5%	3.1%	14.9%	4.2%	12.7%	

* Return on Surplus was annualized for 6/30/2024.
Source: AG Statutory Statements

Select Assured Guaranty Municipal Corp. Statutory Income Data							
\$ Thousands	6/30/2024	12/31/2023	12/31/2022	12/31/2021	12/31/2020 ⁽¹⁾	12/31/2019	
Gross Premiums Written (GPW)	\$158,664	\$204,765	\$286,842	\$262,161	\$392,509	\$244,506	
Net Premiums Written	116,192	135,250	218,596	198,180	316,593	317,012	
Net premiums Earned (NPE)	105,715	135,884	155,397	188,984	203,383	140,699	
Loss & loss adjustment expenses (L&LAE)	(20,841)	87,601	(2,948)	(149,701)	(28,613)	(62,869)	
Other underwriting expenses	78,017	119,983	124,672	110,028	92,019	101,486	
Total losses & operating expenses	57,176	207,584	121,723	(39,672)	63,406	38,617	
Net underwriting gain (loss)	48,538	(71,700)	33,674	228,656	139,977	102,082	
Net investment gain	99,629	313,026	122,090	185,879	269,086	219,802	
Other income, net gain (loss)	954	2,062	24,004	(11,199)	14,523	13,315	
Earnings Before Taxes	149,121	243,388	179,768	403,337	423,587	335,198	
Net Income (Loss)	\$113,678	\$209,272	\$162,943	\$352,116	\$398,309	\$311,783	
Dividends Paid	\$49,200	\$256,800	\$265,900	\$419,637	\$274,624	\$220,000	
Expense ratio (Underwriting exp. / GPW)	49.2%	58.6%	43.5%	42.0%	23.4%	41.5%	
Loss ratio (L&LAE / NPE)	-19.7%	64.5%	-1.9%	-79.2%	-14.1%	-44.7%	
Combined ratio	29.5%	123.1%	41.6%	-37.2%	9.4%	-3.2%	
Return on Surplus (ROS) Pre-tax basis *	11.4%	9.0%	6.2%	13.9%	15.5%	12.8%	
Return on Surplus (ROS) After-tax basis *	8.7%	7.8%	5.6%	12.1%	14.6%	11.9%	

(1) Restated for MAC Merger Transaction.

* Return on Surplus was annualized for 6/30/2024.
Source: AGM statutory statements

AGUK Financial Position

As of December 31, 2023, AGUK reported shareholder's funds of £589.3 million, down slightly due to a £100 million distribution to its parent. Claims-paying resources were approximately £0.9 billion, with gross par leverage flat at 14x, a level considered low by KBRA. Unearned premium balances remain high due to large upfront premiums for international infrastructure transactions. With a high level of co-insurance, AGUK has reported minimal net earnings in recent years.

Assured Guaranty UK Limited (formerly Assured Guaranty (Europe) plc) Summary Balance Sheet Data					
£ Thousands	12/31/2023	12/31/2022	12/31/2021	12/31/2020	12/31/2019
Total Assets	£1,232,772	£1,425,920	£1,485,092	£1,543,722	£1,855,132
Claims paying resources:					
Provision for unearned premium	£358,734	£454,644	£490,819	£522,877	£670,141
Technical provisions	39,397	38,628	31,909	34,824	39,918
Shareholder's funds	589,310	676,937	700,349	701,659	781,057
Total claims paying resources (KBRA definition)	£987,441	£1,170,209	£1,223,077	£1,259,360	£1,491,116
Gross par outstanding (GPO)	13,353,000	15,987,000	16,600,000	17,800,000	23,800,000
Net par outstanding (NPO)	4,011,000	6,907,000	7,400,000	8,100,000	10,400,000
Leverage: GPO/Claims paying resources (X)	14x	14x	14x	14x	16x
Leverage: NPO/Claims paying resources (X)	4x	6x	6x	6x	7x

Source: AGUK financial statements. Prepared in accordance with UK GAAP.

Dividends

AG's dividend distribution is governed by Maryland insurance law, which is less restrictive than New York law in KBRA's opinion. Maryland allows dividends even if unassigned funds are negative, though dividends are limited to the lower of 10% of policyholder surplus or 100% of net investment income (excluding realized gains). Additional capacity is available if prior dividends were less than cumulative net investment income over the past three years. AG's 2024 pro-forma, post-merger maximum ordinary dividend capacity is \$400 million, with \$109 million paid in the first half of 2024.

Woodbourne and Sutton Capital Trusts

Effective August 1, 2024, AGM merged with and into AG, with AG as the surviving company. Accordingly, all rights and obligations of AGM became rights and obligations of AG, including those related to the capital trust facilities. The structure remains unchanged, allowing AG to raise up to \$400 million through put options at any time. Due to the liquidity and strong funding mechanisms of the trusts, KBRA includes \$400 million of capital support in its financial analysis of AG.

Holding Company

Assured Guaranty US Holdings Inc. (AGUS) and Assured Guaranty Municipal Holdings Inc. (AGMH) are U.S. holding companies under AGL. As of June 30, 2024, AGUS has \$1.9 billion in long-term debt, including \$1.6 billion in notes and \$270 million in intercompany loans. Recent issuances, including \$350 million in 6.125% Senior Notes (due 2028), were used to redeem existing debt. At June 30, 2024, debt to capital was estimated by KBRA at approximately 30%. Interest coverage is estimated at 5 times at year-end 2023, calculated as the ratio of U.S. holding companies' dividends paid to AGL to annual interest expense. KBRA expects these ratios to remain stable and reasonable for the current issuer rating. Outstanding notes are fully and unconditionally guaranteed by Assured Guaranty Ltd.

AGUS's main liquidity source is dividends from its U.S. insurance subsidiary, AG, which are subject to state regulatory limits. Funds in excess of debt service requirements and tax restrictions at AGUS are upstreamed via dividends to AGL.

The issuer rating on AGUS is based on structural subordination, regulatory restrictions, and overall financial flexibility and reflects a three-notch differential from the operating company's IFSR.

ESG Management

KBRA's ratings incorporate all material credit factors including those that relate to Environmental, Social and Governance (ESG) factors. KBRA captures the impact of ESG factors in the same manner as all other credit-relevant factors. KBRA does not deploy ESG scores, but instead analyzes ESG factors through the lens of how company management plans for and manages relevant ESG risks and opportunities. More information on KBRA's approach to ESG can be found [here](#). KBRA believes stakeholder perspectives and emerging disclosure requirements will remain prominent components of (re)insurer approaches to ESG.

KBRA analyzes many sector- and issuer-specific ESG issues but our analysis is often anchored around three core topics: climate change, with particular focus on greenhouse gas emissions; stakeholder preferences; and cybersecurity. Under environmental, as the effects of climate change evolve and become more severe, issuers are increasingly facing an emerging array of challenges and potential opportunities that can influence financial assets, operations, and capital planning. Under social, the effects of stakeholder preferences on ESG issues can impact the demand for an issuer's product and services, the strength of its global reputation and branding, its relationship with employees, consumers,

regulators, and lawmakers, and, importantly, its cost of and access to capital. Under governance, as issuers continue to become more reliant on technology, cybersecurity planning and information management are necessary for most issuers, regardless of size and industry.

Environmental Factors

Assured provides financial guaranty insurance to entities exposed to environmental risks, such as climate change. Mismanagement of asset portfolio risk could have financial consequences. While Assured doesn't directly underwrite climate risk, its underwriting and surveillance processes include a climate risk assessment framework, guided by the company's Environmental Policy across its operations.

Assured has implemented a program to measure GHG Scope 1, 2, and select Scope 3 emissions and has decided not to invest in thermal coal enterprises within its portfolio.

Social Factors

Assured's financial guaranty business helps lower borrowing costs for local, state, sub-sovereign, and sovereign governments, often funding projects that benefit stakeholders. The company actively manages stakeholder preferences through its Board-level Environmental & Social Responsibility Committee.

Governance Factors

Assured has robust controls and risk mitigation strategies within its ERM framework, covering all material risks, including insured credit risks. With a reliance on digital technology, cybersecurity is a priority, and employees receive annual training and phishing exercises to reinforce best practices.



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