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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Rating Summary:

AG's rating reflects its substantial claims-paying resources, strong risk management platform, and leadership position in the financial guaranty market. As of year-end 2024, the company reported $6.8 billion in KBRA-defined claims-paying resources, with a robust capital position relative to KBRA modeled stress losses, even after returning a significant amount of excess capital to its parent through dividends and share repurchases during the year.

The merger of Assured Guaranty Municipal Corp. (AGM) into AG in 2024 has simplified the organizational structure and improved capital and regulatory efficiency. AG now serves as the sole underwriting platform for the group's U.S. financial guaranty business, while AGUK and AGE support growth in non-U.S. public finance and structured finance markets.

In 2024, AG originated approximately $32 billion in gross par, its highest annual total in over a decade. Growth was led by strong U.S. municipal production and selective participation in international infrastructure and structured finance. While the portfolio remains high quality overall, downgrades in U.K. water and European renewable energy exposures increased below-investment-grade (BIG) exposure to approximately 4% of the $200 billion insured book.

AG's conservative investment approach, experienced management team, and diversified business platform support its ability to manage through credit cycles. While persistent tight credit spreads continue to limit premium growth opportunities across all sectors, AG's results remain supported by recurring investment income, stable runoff cash flows, and a high-quality insured portfolio. KBRA continues to monitor the impact of increased alternative investment allocations on claims-paying strength and overall risk profile.

With respect to Puerto Rico, KBRA maintains a conservative deterministic loss scenario for PREPA and related exposures, reflecting ongoing legal, political, and execution risk. However, the company's financial position is now significantly less vulnerable to Puerto Rico-related uncertainty, and the impact of modeled stress losses has meaningfully declined in KBRA's cash flow analysis.

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. The Outlook also 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 maintains a robust capital position, with claims-paying resources that provide meaningful protection against KBRA's modeled stress-case loss scenarios.	+
Increased Diversification Through Portfolio Run-Off and Underwriting Strategy AG continues to reduce legacy risk through runoff, including further amortization of Puerto Rico exposures. However, recent downgrades in select infrastructure credits, such as U.K. water and European renewable energy, have modestly increased below-investment-grade exposure. The company's global underwriting strategy remains multi-sector and geographically diverse, spanning public finance, infrastructure, and structured finance. Additionally, growth in institutional investor demand for insured instruments and a broader network of counterparties, including global banks and sponsors, supports sustained diversification and origination capacity.	+

Experienced Management Team and Robust Risk Management Platform AG is led by an experienced management team with deep expertise in financial guaranty and insurance operations. The company operates within a well-established governance framework and maintains integrated risk management systems aligned with industry best practices. Risk oversight is embedded at both the executive and board levels, and the company is subject to a comprehensive regulatory regime that provides additional governance discipline and control.	+
Strong Intra-Group Financial Support AGUK and AGE are supported by a suite of intra-group financial arrangements with AG, including co-insurance, quota share and excess of loss reinsurance, as well as 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. This trend continues to support AG's core business production, even as competitive pricing dynamics persist.	+
Some Uncertainty in Puerto Rico Resolution and Recovery for Remaining Exposure Although substantial progress has been made in resolving Puerto Rico-related exposures, material uncertainty remains around the final resolution of PREPA. The timing and magnitude of recoveries continue to be influenced by ongoing litigation, mediation processes, and political developments.	–
Industry Trends of Narrow Credit Spreads Persistent narrow credit spreads and interest rate volatility continue to impact all segments of the financial guaranty market, including U.S. municipal, international infrastructure, and structured finance. While AG has maintained disciplined pricing, in KBRA's view, and a stable share of high-grade business, the persistent tight spread environment remains a headwind.	–
Potential Stress from Higher-Risk Sectors and the One Big Beautiful Bill (OBBB) New business origination or rating downgrades of existing credits in higher-risk sectors of the municipal, international infrastructure, or global structured finance markets may lead to greater stress losses in KBRA's loss simulation model. Financial hardships arising from the downstream effects of the OBBB and any near-term budgetary rescissions will be a focus in the near to medium term. While most insured exposure continues to be concentrated in the stable 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	
▪ 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	+
▪ Significant downward rating migration among credits within the insured portfolio (particularly large exposures), 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 sheet 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 (Q4 2024)	Financial Guaranty Stress Loss (Future Value)	Comment
Distressed credits	$2.0	$0.5	Puerto Rico and other distressed credits
Balance of portfolio	$198.1	$4.5	KPLS model
Total	$200.2	$5.0	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

A discussion of each rating determinant can be found in prior reports, the most recent of which is dated October 18, 2024.

Insured Portfolio and Modeling Analysis Update

Insured Portfolio

As of December 31, 2024, AG's statutory insured portfolio totaled approximately $200.2 billion in net par, diversified across U.S. public finance, international infrastructure, and structured finance. U.S. public finance remains the dominant sector, accounting for approximately 78% of net par.

The portfolio's weighted average internal rating remains A-, with below-investment-grade exposure increasing moderately to approximately 4%. These exposures are fully incorporated into KBRA's stress loss modeling assumptions.

Portfolio Stress Analysis

To develop stress case losses for AG's $200.2 billion portfolio, KBRA employed (i) a Monte Carlo simulation and (ii) deterministic analysis for Puerto Rico exposures and other distressed exposures, including RMBS.

KBRA continues to apply a conservative stress to all remaining Puerto Rico exposures, regardless of Title III status. The scenario assumes a three-year moratorium on debt service, during which AG is required to cover 100% of scheduled principal and interest. Following the moratorium, loss severity assumptions of 25% to 40% are applied as debt service resumes. For claims paid during the moratorium period, KBRA assumes a 35% recovery (65% severity) beginning in year six. Under these assumptions, total modeled losses from Puerto Rico exposures amount to approximately $0.3 billion.

KBRA reviewed RMBS exposures at the CUSIP and insured tranche level as of December 31, 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.

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. A discussion of the application of the KPLS Model simulation can be found in prior reports.

For AG, the aggregate of all annual loss payments at the 97.9% confidence level (equivalent to a 'AA+' rating) was $4.5 billion on a future value basis. Conservative assumptions for refunding activity in AG's insured municipal portfolio were also applied.

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. A detailed discussion of the application of KBRA's cash flow analysis can be found in prior reports.

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 approximately $5.0 billion, comprising $4.5 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 $2.0 billion. In KBRA's opinion, these results are consistent with the company's current rating level.

Claims-Paying Resources and Financial Profile Update

Claims-Paying Resources

As of December 31, 2024, AG's claims-paying resources totaled approximately $6.8 billion under KBRA's definition, which includes unearned premium reserves, loss and LAE reserves, contingency reserves, and policyholder surplus.

Select Assured Guaranty Inc. (fka Assured Guaranty Corp.) Statutory Balance Sheet Data					
$ Thousands	**12/31/2024**	**12/31/2023**	**12/31/2022**	**12/31/2021**	**12/31/2020***
Claims paying resources:					
Unearned premium reserves	$2,092,648	$336,338	$311,137	$336,011	$303,470
Loss & LAE reserves	(174,283)	(107,590)	(49,346)	7,072	13,542
Contingency reserve	1,392,238	419,642	346,940	348,062	545,495
Policyholder surplus	3,523,846	1,650,573	1,916,078	2,069,827	1,716,777
Total claims paying resources (KBRA definition)	**$6,834,449**	**$2,298,964**	**$2,524,809**	**$2,760,972**	**$2,461,368**
Net statutory par outstanding (NPO)	$201,090,000	$29,114,000	$20,951,000	$21,604,000	$19,948,000
Net statutory debt service outstanding (NDSO)	$323,905,000	$47,395,000	$32,983,000	$33,024,000	$29,966,000
Leverage: NPO/Claims paying resources (X)	**29x**	**13x**	**8x**	**8x**	**8x**
Leverage: NDSO/Claims paying resources (X)	**47x**	**21x**	**13x**	**12x**	**12x**

Note: 2023 statutory results were not restated to reflect the merge of AGM into AG. 2024 balances reflect the combined entity following the merger, effective August 1, 2024. Unearned premium reserves exclude deferred ceding commission.

* CPR for 2020 excludes investment in Municipal Assurance Corp. (MAC).

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

Balance Sheet

AG's balance sheet remains well-capitalized and highly liquid, supported by substantial policyholder surplus and conservative asset management. While the company has incurred meaningful claims related to Puerto Rico exposures in recent years, capital levels have remained resilient. Liquidity is strong across the insurance subsidiaries. The capital position is further reinforced by access to contingent capital facilities, which enhance financial flexibility under stress scenarios.

Investments

AG's investment portfolio remains conservatively positioned, totaling $6.4 billion at year-end 2024 with a pre-tax book yield of 4.61%. The portfolio is primarily composed of high-quality, liquid fixed-income securities, with approximately 57% allocated to U.S. municipal and corporate bonds. Structured credit, including CLOs and ABS, represents 18% of total assets, with CLOs generating elevated yields of 12.05%. The portfolio carries an average credit quality of A+ and a moderate duration of approximately three years. Investments also include Sound Point–managed funds and residual Puerto Rico exposures, most of which have been monetized.

Income Statement

For the year ended December 31, 2024, AG reported pre-tax statutory income of $435 million, up from $110 million in 2023, primarily driven by the merger of AGM into AG in 2024. Net investment income of $305 million was reported in 2024. Underwriting and operating expenses totaled $145 million in 2024, offset by higher premium earnings and favorable reserve development.

Select Assured Guaranty Inc. (fka Assured Guaranty Corp.) Statutory Income Data					
$ Thousands	**12/31/2024**	**12/31/2023**	**12/31/2022**	**12/31/2021**	**12/31/2020**
Gross Premiums Written (GPW)	$344,111	$85,906	$56,821	$73,445	$35,247
Net Premiums Written	273,069	66,476	41,020	87,917	21,694
Net Premiums Earned (NPE)	261,560	43,135	61,614	54,500	76,692
Loss & loss adjustment expenses (L&LAE)	(81,730)	(40,478)	2,926	(50,901)	25,506
Other underwriting expenses	226,247	73,889	60,692	60,131	55,874
Total losses & operating expenses	144,516	33,412	63,618	9,230	81,380
Net underwriting gain (loss)	117,044	9,724	(2,004)	45,270	(4,688)
Net investment gain	304,504	77,642	62,423	225,288	69,009
Other income, net gain (loss)	13,816	22,706	4,570	10,140	5,793
Earnings Before Taxes	435,364	110,071	64,988	280,698	70,114
Net Income (Loss)	$354,839	$79,419	$61,706	$281,955	$73,075
Dividends Paid	$399,600	$101,500	$206,900	$94,100	$166,000
Expense ratio (Underwriting exp. / GPW)	65.7%	86.0%	106.8%	81.9%	158.5%
Loss ratio (L&LAE / NPE)	-31.2%	-93.8%	4.7%	-93.4%	33.3%
Combined ratio	34.5%	-7.8%	111.6%	-11.5%	191.8%
Return on Surplus (ROS) Pre-tax basis	16.8%	6.2%	3.3%	14.8%	4.0%
Return on Surplus (ROS) After-tax basis	13.7%	4.5%	3.1%	14.9%	4.2%

Note: 2023 statutory results were not restated to reflect the merge of AGM into AG. 2024 balances reflect the combined entity following the merger, effective August 1, 2024

Source: AG Statutory Statements

Holding Company

Financial Guaranty Holding Company Rating

Assured Guaranty US Holdings Inc. (AGUS) and Assured Guaranty Municipal Holdings Inc. (AGMH) are U.S.-based intermediate holding companies under Assured Guaranty Ltd. (AGL). As of December 31, 2024, AGUS reported $1.9 billion in long-term debt, consisting of $1.6 billion in notes and $270 million in intercompany loans. At year-end 2024, debt to capital was estimated by KBRA at approximately 30%. Interest coverage is estimated at 5 times, 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 manageable in the near term. 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 AG's IFSR.