

MOODY'S

RATINGS

Rating Action: Moody's Ratings affirms Assured Guaranty's ratings following announced merger of its U.S. financial guarantors; outlook stable

10 July 2024

New York, July 10, 2024 – Moody's Ratings (Moody's) has affirmed the insurance financial strength (IFS) ratings of Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Inc. (AG – formerly Assured Guaranty Corp.) at A1. In the same rating action, we also affirmed the A1 IFS rating of Assured Guaranty UK Limited (AGUK), as well as the debt ratings of Assured Guaranty US Holdings Inc. (AGUS - backed senior debt at Baa1), the Baa2(hyb) junior subordinated debt rating of Assured Guaranty Municipal Holdings Inc. (AGMH) and the Baa1 long-term issuer rating of Assured Guaranty Ltd. (Assured Guaranty). The rating affirmation follows Assured Guaranty's announcement that it will combine its two U.S. financial guaranty insurance companies by merging AGM into AG, with AG as the surviving company. The effective date of the merger is expected to be August 1, 2024. The outlook for the ratings of Assured Guaranty and its subsidiaries remains stable. Please see below for a complete list of rating actions.

RATINGS RATIONALE

The ratings of Assured Guaranty and its subsidiaries reflect its strong capital profile, conservative underwriting of US municipal, international infrastructure and structured finance risks and leading market position in the financial guaranty insurance sector. These strengths are tempered by the confidence-sensitive nature of the financial guaranty insurance business as well as a number of large single risk exposures relative to capital. Assured Guaranty's ability to organically generate significant capital through premium and investment earnings make the credit profile of its operating subsidiaries resilient to a broad range of stress scenarios.

We believe that the merger of AGM into AG results in a moderate strengthening of the combined entity's credit profile relative to the current overall credit profiles of AGM and AG. AG's post-merger business profile will incrementally improve relative to AGM's current business profile as it consolidates Assured Guaranty's new business production within one company. Following the merger, we expect AG to remain the market-leading franchise in the financial guaranty insurance sector.

The post-merger financial profile of AG will also improve relative to AGM's current financial profile. The larger insured portfolio and claims paying resources of post-merger AG enhances risk diversification and reduces the size of large single risk exposures relative to capital. Despite the planned extraction of \$300 million of capital through a special dividend following the merger, AG's pro forma risk-adjusted capital adequacy will be stronger than AGM's current capital adequacy in our view. Although we expect expense savings from the merger to be modest, we believe there will be some operational and expense synergies that will incrementally improve the firm's profitability metrics.

The effective date of the merger is expected to be August 1, 2024. Following the completion of the merger, all securities currently insured by AGM will become guaranteed obligations of AG.

The A1 IFS rating of AGUK reflects a combination of formal and implicit support from its parent, AGM. Formal support from AGM includes a net worth maintenance agreement and quota share and excess of loss reinsurance arrangements. AGUK is the platform from which Assured Guaranty writes its financial guaranty business in the United Kingdom and certain other non-EU countries. After the completion of the merger of AGM into AG, AGUK will become a subsidiary of AG and benefit from substantially similar support arrangements.

The Baa1 senior debt rating of AGUS represents a three notch spread between the senior debt rating and the A1 IFS ratings of AGM and AG, which is consistent with our typical notching practices for U.S. insurance holding company structures. Assured Guaranty's Baa1 long-term issuer rating is aligned with the senior debt rating of AGUS. Assured Guaranty fully and unconditionally guarantees the senior debt of AGUS and guarantees on a junior subordinated basis the junior subordinated debt of AGMH and AGUS.

FACTORS THAT COULD LEAD TO AN UPGRADE OR DOWNGRADE OF THE RATINGS

Factors that could lead to an upgrade of Assured Guaranty's ratings include: 1) Continued demonstration of very strong risk-adjusted capital adequacy; 2) an increase in demand for financial guaranty insurance (15%+ US municipal market insured penetration and/or annual present value of premiums written in excess of \$600 million) at attractive pricing levels; and 3) continued reductions in below investment grade insured exposures relative to capital.

Conversely, the factors that could lead to a downgrade of Assured Guaranty's ratings include: 1) the extraction of meaningful amounts of capital without an associated reduction of risk; 2) Assured Guaranty's new business production falls to unsustainable levels (less than 25% insured market share or less than \$100 million in annual premiums); and 3) significant deterioration in the credit quality of insured portfolios.

LIST OF AFFECTED RATINGS

Issuer: Assured Guaranty Ltd.

Affirmation:

..LT issuer rating, affirmed Baa1

Outlook Action:

..Outlook remains Stable

Issuer: Assured Guaranty US Holdings, Inc.

Affirmations:

..Backed senior unsecured, affirmed Baa1

..Backed junior subordinate, affirmed Baa2 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Assured Guaranty Inc.

Affirmation:

..Insurance financial strength, affirmed A1

Outlook Action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust I

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust II

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust III

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Woodbourne Capital Trust IV

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Assured Guaranty Municipal Holdings Inc.

Affirmation:

..Junior subordinate, affirmed Baa2 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Assured Guaranty Municipal Corp.

Affirmation:

..Insurance financial strength, affirmed A1

Outlook Action:

..Outlook remains Stable

Issuer: Assured Guaranty UK Limited

Affirmation:

..Insurance financial strength, affirmed A1

Outlook Action:

..Outlook remains Stable

Issuer: Sutton Capital Trust I

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Sutton Capital Trust II

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Sutton Capital Trust III

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Issuer: Sutton Capital Trust IV

Affirmation:

..Backed preferred stock non-cumulative, affirmed Baa1 (hyb)

Outlook Action:

..Outlook remains Stable

Assured Guaranty Ltd. is a Bermuda-based holding company. Through its subsidiaries, Assured Guaranty provides financial guaranty insurance to the US and international public finance and structured finance markets. As of March 31, 2024, Assured Guaranty had consolidated net par outstanding of approximately \$248 billion, qualified statutory capital of \$6.1 billion, and total claims paying resources of \$10.5 billion.

The principal methodology used in these ratings was Financial Guarantors published in March 2024 and available at <https://ratings.moodys.com/rmc-documents/416491>. Alternatively, please see the Rating Methodologies page on <https://ratings.moodys.com> for a copy of this methodology.

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