Assured Guaranty Inc.

ANALYTICAL CONTACTS

Jack Morrison
Senior Director
+1 646-731-2410
jack.morrison@kbra.com

Jonathan Harris
Senior Director
+1 646-731-1235
jonathan.harris@kbra.com

Peter Giacone
Senior Managing Director
+1 646-731-2407
peter.giacone@kbra.com

METHODOLOGY

Financial Guaranty: Financial Guaranty Global Rating Methodology

Ratings

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

Rating Summary

AG's rating reflects substantial claims-paying resources, a formal risk management framework, disciplined underwriting and surveillance, and its established position in the financial guaranty market. At year-end 2025, AG maintained approximately $6.7 billion of KBRA-defined claims-paying resources. Although claims-paying resources declined modestly during 2025, primarily due to capital distributions, they remained strong relative to KBRA's modeled stress losses for the current rating level.

AG's insured portfolio remains predominantly investment grade and granular, with exposure concentrated in U.S. public finance but diversified across obligors, sectors, and geographies. At year-end 2025, the portfolio contained approximately $211.4 billion of net par, up from $200.2 billion at year-end 2024. Despite net portfolio growth, favorable rating migration and the higher credit quality of added exposure reduced KBRA Portfolio Loss Simulation (KPLS) modelled stress losses, although higher deterministic losses left total stress losses essentially unchanged from the prior year.

Gross par written increased to approximately $30.9 billion from $28.4 billion, led by U.S. public finance. Persistent tight credit spreads constrained premium generation, particularly in international infrastructure, despite higher insured volume. Production outside U.S. public finance remained selective.

KBRA continues to monitor the growth of alternative investments and the integration of Assured Life Reinsurance Ltd. These activities remain limited relative to the financial guaranty business but introduce incremental asset, liquidity, capital, asset liability management and earnings risk within the Assured Guaranty group.

Aggregate Puerto Rico exposure continues to decline, but PREPA remains subject to material legal and restructuring execution risk.

AGUK and AGE benefit from contractual support from AG, including reinsurance, collateral, net worth maintenance agreements, and, for AGUK, AG's second-to-pay guarantee. These arrangements support the alignment of the European operating company ratings with AG. The ratings remain dependent on AG's credit quality and continued performance under the agreements.

Outlook

The Stable Outlook reflects KBRA's expectation that AG will maintain substantial headroom relative to KBRA's modeled stress losses and that claims-paying resources will remain broadly commensurate with insured risk. The Outlook also reflects KBRA's expectation that capital distributions, investment strategy, and growth in life and annuity reinsurance will not materially weaken claims-paying capacity. For AGUK and AGE, the Stable Outlook further reflects continued performance by AG under the contractual support arrangements.

Key Credit Considerations

Strong Claims-Paying Resources Support the Rating

AG maintains approximately $6.7 billion of KBRA-defined claims-paying resources, providing substantial protection relative to KBRA's modeled stress case losses. Recurring investment income and the high credit quality and liquidity of the core fixed-income portfolio support claims-paying capacity under severe portfolio stress.

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A Granular, Predominantly Investment-Grade Insured Portfolio Supports Credit Quality

The insured portfolio remains predominantly investment grade and granular, comprised of more than 8,000 risks, with no individual risk accounting for 1% or more of total net par. U.S. public finance remains the principal exposure at approximately 79% of net par, followed by international public finance and infrastructure at approximately 18% and global structured finance at approximately 3%. Year over year internal rating migration was favorable overall. Upgrades outnumbered downgrades, with upgraded net par nearly twice downgraded net par. Below investment grade exposure declined to approximately 3.2% from 4.1%, while legacy exposures continued to amortize.

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Experienced Management and Formal Risk Management Framework

AG's experienced management team operates within a formal risk governance framework that includes Board and executive oversight, defined risk limits, committee based credit approval, risk based surveillance and escalation, and capital, liquidity, and stress testing. The framework supports consistent underwriting, surveillance, reserving, and capital management, as well as regular review of current and emerging risks. The depth of the management team supports continuity in credit oversight.

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Contractual Intra-Group Support Aligns the European Operating Companies' Ratings with AG

AGUK benefits from coinsurance and AG's second-to-pay guarantee, while AGUK and AGE benefit from collateralized affiliated reinsurance, excess of loss protection, and net worth maintenance agreements. These arrangements reduce retained exposure and provide claims and capital support, supporting the alignment of AGUK's and AGE's IFSRs with AG. The ratings remain closely linked to AG’s credit profile and continued performance under the agreements.

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Tight Credit Spreads Continue to Constrain New Business Economics

Tight credit spreads and excess market liquidity continue to constrain new business economics and premium generation, particularly in international infrastructure, despite higher gross par written.

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Growth in Alternative Investments Increases Asset Risk

AG's allocation to alternative investments increased in 2025. These assets are generally less liquid and more valuation sensitive than the traditional fixed income portfolio, increasing asset, liquidity, earnings, and capital risk.

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PREPA Remains the Principal Unresolved Distressed Puerto Rico Exposure

PREPA remains AG's only unresolved defaulting Puerto Rico exposure, with approximately $322 million of net par at year-end 2025. The ultimate amount and timing of recoveries remain dependent on litigation, mediation, and restructuring execution.

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Rating Sensitivities

- Market conditions that support firmer pricing and stronger new business economics, resulting in sustainable profitability without weakening underwriting standards
- Sustained strengthening of claims-paying resources and stress case capital relative to insured risk, together with a material reduction in distressed exposure, continued prudent underwriting and favorable industry loss performance

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- Significant downward rating migration among large insured exposures that materially increases modeled stress losses or changes the portfolio risk profile
- Capital distributions that materially reduce claims-paying resources relative to insured risk or weaken modeled capital adequacy
- Growth in alternative investments or non-financial guaranty businesses that materially increases capital, liquidity, or earnings volatility or weakens claims-paying capacity

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

Portfolio Segment	Net Par (Q4 2025)	Financial Guaranty Stress Loss (Future Value)	Comment
KPLS-modeled portfolio	$208.6	$4.4	KPLS model at the 97.9% confidence level
Deterministic stressed credits	$2.8	$0.6	Puerto Rico and other individual high risk exposures
Total	**$211.4**	**$5.0**	**Aggregate stress losses incorporated in the Bond Insurer Cash Flow Analysis**

RD 1: Corporate Assessment

Assured Guaranty is led by an experienced management team, with sufficient depth to support continuity in credit oversight. The group operates within a formal risk governance framework that includes Board and executive oversight, defined risk limits, committee-based credit approval, risk-based surveillance, and capital, liquidity, and stress testing. Financial guaranty remains the core business, with production focused on risk adjusted returns. The recently acquired life and annuity reinsurance platform remains small relative to the financial guaranty franchise but introduces incremental execution, asset-liability management, insurance, investment, and capital allocation risks.

RD 2: Insured Portfolio and Modeling Analysis

Insured Portfolio

As of December 31, 2025, AG's insured portfolio totaled approximately $211.4 billion in net par, up from $200.2 billion, and was diversified across U.S. public finance, international public finance and infrastructure, and global structured finance. U.S. public finance remained the dominant sector, accounting for approximately 79% of net par.

The portfolio's weighted average internal rating remained A-. Rating migration was favorable overall, with upgrades exceeding downgrades and below-investment-grade exposure declining to approximately 3.2% from 4.1%. KBRA continues to monitor select higher risk exposures in U.K. regulated utilities, transportation, health care, and Puerto Rico. These exposures are incorporated into KBRA's stress loss analysis.

Portfolio Stress Analysis

KBRA used the KBRA Portfolio Loss Simulation (KPLS) Model for risks suited to portfolio simulation and applied deterministic stresses to Puerto Rico, Brightline, RMBS, and other distressed or idiosyncratic credits requiring transaction specific assumptions. The resulting losses were combined in the Bond Insurer Cash Flow Analysis.

These stresses produced approximately $0.6 billion of future-value losses.

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 can be found in prior KBRA rating reports.

At the 97.9% confidence level, equivalent to an AA+ rating, aggregate future value loss payments were approximately $4.4 billion, compared with $4.5 billion in the prior year analysis. The modest decline despite portfolio growth reflected favorable rating migration and the predominantly investment-grade credit quality of added exposure. Conservative assumptions for refunding activity in AG's insured municipal portfolio were also applied.

Bond Insurer Cash Flow Analysis

The Bond Insurer Cash Flow Analysis combines KPLS and deterministic losses with claims-paying resources, investment income, future installment premiums, recoveries, and operating expenses to evaluate AG's ability to pay claims and expenses over a 35-year runoff.

In the stress scenario, AG's total future value losses were approximately $5.0 billion, comprising approximately $4.4 billion from KPLS and $0.6 billion from distressed or idiosyncratic credits. Under the modelled scenario, AG paid all stress model claims and expenses in full and on time, 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 achieved an SCB in excess of $2.0 billion. In KBRA's opinion, these results are consistent with the company's current rating level.

RD 3: Claims-Paying Resources and Financial Profile

AG					
Selected Statutory Balance Sheet Data					
$ Thousands	**12/31/2025**	**12/31/2024**	**12/31/2023**	**12/31/2022**	**12/31/2021**
Claims Paying Resources (CPR)					
Unearned Premium Reserves	$2,115,896	$2,092,648	$336,338	$311,137	$336,011
Loss & LAE Reserves	-142,395	-174,283	-107,590	-49,346	7,072
Contingency Reserve	1,510,778	1,392,238	419,642	346,940	348,062
Policyholder Surplus	3,248,771	3,523,846	1,650,573	1,916,078	2,069,827
Total CPR (KBRA definition)	**$6,733,050**	**$6,834,449**	**$2,298,964**	**$2,524,809**	**$2,760,972**
Insured Exposure					
Net Statutory Par Outstanding (NPO)	$211,400,000	$201,090,000	$29,114,000	$20,951,000	$21,604,000
Net Statutory Debt Service Outstanding (NDSO)	$339,500,000	$323,905,000	$47,395,000	$32,983,000	$33,024,000
Leverage					
NPO/Claims paying resources (X)	**31.4x**	**29.4x**	**12.7x**	**8.3x**	**7.8x**
NDSO/Claims paying resources (X)	**50.4x**	**47.4x**	**20.6x**	**13.1x**	**12.0x**

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

Note 2: Unearned Premium Reserve excludes deferred ceding commission.

Source: AG statutory annual statements and financial supplements; adjusted for loss mitigation bonds.

Claims-Paying Resources

At December 31, 2025, AG maintained approximately $6.7 billion of KBRA-defined claims-paying resources, down 1.5% from $6.8 billion. KBRA's definition includes unearned premium reserves, loss and LAE reserves, contingency reserves, and policyholder surplus. The decline primarily reflected capital distributions, partly offset by an increase in the reserve components included in claims-paying resources and remain substantial relative to insured risk and KBRA's modeled stress losses.

Financial Profile

Portfolio growth and capital distributions caused net par to claims-paying resources leverage to increase to approximately 31.4x at year-end 2025 from 29.4x the prior year. KBRA considers the higher leverage manageable when viewed in conjunction with the insured portfolio's predominantly investment grade credit quality, recent favorable rating migration, and performance under KBRA's stress analysis.

AG reported approximately $6.8 billion of statutory cash and invested assets at year-end 2025. The core investment portfolio remained high quality and liquid, with an average rating of A+. However, the allocation to alternative credit and asset management related strategies continued to increase. These assets are generally less liquid and more valuation sensitive than traditional fixed income securities and introduce greater earnings and capital volatility. Affiliated equity and Schedule BA assets support statutory capital but are generally less liquid than cash and marketable bonds. Therefore, KBRA applies conservative yield assumptions to these assets in its cash flow analysis.

Statutory net income declined to $238 million in 2025 from $355 million, while net underwriting gain declined to $19 million from $117 million. The decline primarily reflected the absence of the substantial net loss and LAE benefit recorded in 2024 and lower net investment income. Earnings remain supported by premium recognition and investment income but are sensitive to reserve development, investment performance, refunding activity, and new business economics. Gross par written increased during the year, although tight credit spreads constrained premium generation. Note that 2024 and 2025 statutory results reflect the combined entity following the AGM-AG merger.

Financial flexibility is supported by internally generated earnings, committed capital securities, and access to collateralized borrowing. Statutory dividend capacity supports holding company liquidity, while the committed capital facilities provide supplemental resources under stress.

European Operating Companies

AGUK and AGE maintained regulatory capital above minimum requirements and liquid, high-quality investment portfolios at year-end 2025. AGUK's shareholder's funds increased to approximately £521 million, while KBRA-defined claims-paying resources remained broadly stable at approximately £888 million. AGE's shareholder's equity increased to approximately €126 million, including a €20 million capital contribution from AG, while KBRA-defined claims-paying resources remained broadly stable at approximately €341 million. Both companies maintained capital levels appropriate for their retained exposures.

Holding Company

Financial Guaranty Holding Company Rating

Assured Guaranty US Holdings Inc. (AGUS) is the principal U.S. intermediate holding company of Assured Guaranty Ltd. (AGL). At year-end 2025, AGUS reported approximately $1.8 billion of debt and intercompany loans. Holding company debt-to-capital remained approximately 30%. Interest coverage is estimated at approximately 3.3x, calculated as dividends from AG to the U.S. holding companies, divided by AGUS's annual interest expense. AGL fully and unconditionally guarantees AGUS's outstanding senior notes, with the guarantees ranking as senior unsecured obligations of AGL.

AGUS's primary source of liquidity is dividends from AG, upstreamed through AGMH. These dividends are subject to state regulatory limits. After accounting for applicable tax restrictions, funds remaining after AGUS meets its debt service requirements are paid to AGL through dividends.

Based on structural subordination, regulatory restrictions, and overall financial flexibility, the AGUS issuer rating reflects a three notch differential from AG's IFSR. Given their position within the company's capital structure, the senior unsecured debt ratings, reflect no additional notching to the AGUS issuer rating.

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