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Assured Guaranty Ltd.

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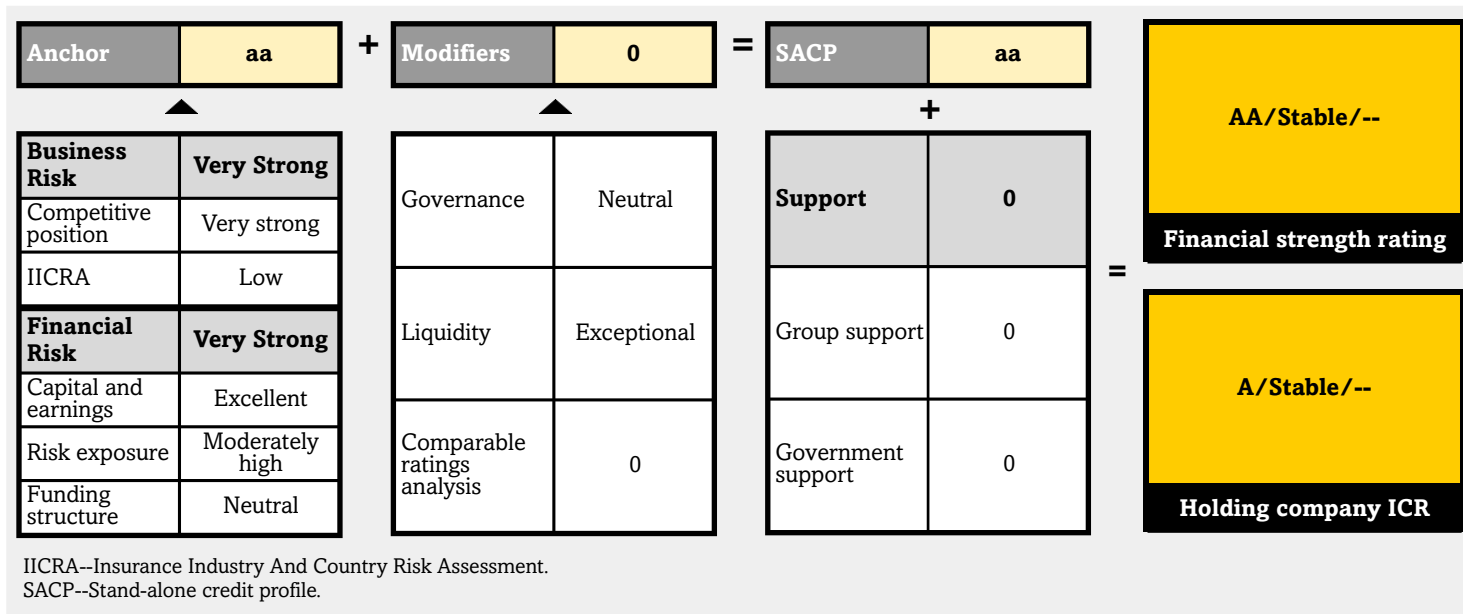
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Assured Guaranty Ltd.



Credit Highlights

Key strengths	Key risks
Well-diversified global underwriting strategy with a heavy emphasis on the U.S. public finance market	Exposure to concentrations of large obligors within the insured portfolio could threaten creditworthiness
Management committed to maintaining an excellent capital adequacy ratio	Competitive environment, including the uninsured market, could pressure pricing

We think Assured Guaranty Ltd. (AGL) and its insurance subsidiaries (collectively Assured) benefit from its diverse underwriting strategy. Currently, Assured writes business predominantly in the U.S. public finance (USPF) market and has a broad presence across the U.S. In addition, its underwriting strategy includes global structured finance and international local and regional government bonds as well as infrastructure projects. In our view, the experienced management team demonstrates a strong understanding of the various risks the company faces as it executes this underwriting strategy.

Assured has excellent capital and earnings with a meaningful capital adequacy buffer for the current rating. With most of its exposure to issuers in Puerto Rico settled, the capital adequacy buffer is likely to decline as management undertakes efforts to return capital to shareholders and the company takes advantage of underwriting growth opportunities in the global markets. We believe management has a vigilant approach to its global underwriting strategy to maintain its excellent capital position. However, our largest obligor test highlights potential concentration risks in the insured portfolio.

The combination of a very strong business risk profile and very strong financial risk profile leads to a split anchor of 'aa/aa-'. We select the higher anchor due to Assured's redundancy of capital at the current rating level and our expectation that, while the level of redundancy may change, capital adequacy will not fall below 1.0x.

Outlook: Stable

The stable outlook reflects our expectation that the group will maintain excellent capital adequacy and a very strong competitive position supported by strong presence in the U.S. public finance market. It also considers Assured's measured approach to insuring non-U.S. public finance transactions. The maintenance of a capital adequacy ratio above 1.0x is essential for rating stability.

Downside scenario

We may lower our ratings if Assured exhibits a prolong period of poor operating performance, its non-U.S. public finance business meaningfully alters the risk profile of its insured portfolio, or its capital adequacy falls below 1.0x and we think that Assured won't be able to improve its capital position.

Upside scenario

Based on our view of the insurable new-issue U.S. public finance market and the company's overall business volume, we don't believe Assured's competitive position or earnings will dramatically change, so we don't expect to raise our ratings in the next two years.

Assumptions

- Real U.S. GDP growth of 1.7% in 2023 and 1.3% in 2024
- 10-year Treasury yield of about 3.7% in 2023 and 3.6% in 2024
- Consumer Price Index at about 4.3% in 2023 and 2.7% in 2024
- Unemployment rate at 3.5% in 2023 and 4% in 2024

Source: "Economic Outlook U.S. Q3 2023: A Sticky Slowdown Means Higher For Longer," June 26, 2023.

Key metrics

	2022	2021	2020	2019	2018
S&P Global Ratings capital adequacy	AAA	AAA	AAA	AAA	AAA
Claims paying resources (mil. \$)	10,818	11,219	11,077	11,162	11,815
Adjusted gross premium written (mil. \$)	375	361	390	463	663
Operating return on equity (%)	4.6	7.8	4.2	6.2	7.5
Statutory return on revenue (%)	25.7	100.1	67.7	68.5	53.0
Net combined ratio (%)	89.7	10.2	69.5	46.4	64.5
Financial leverage (%)	29.4	25.2	21.6	21.7	21.9
Fixed charge coverage (x)	4.2	7.4	3.9	5.4	6.0

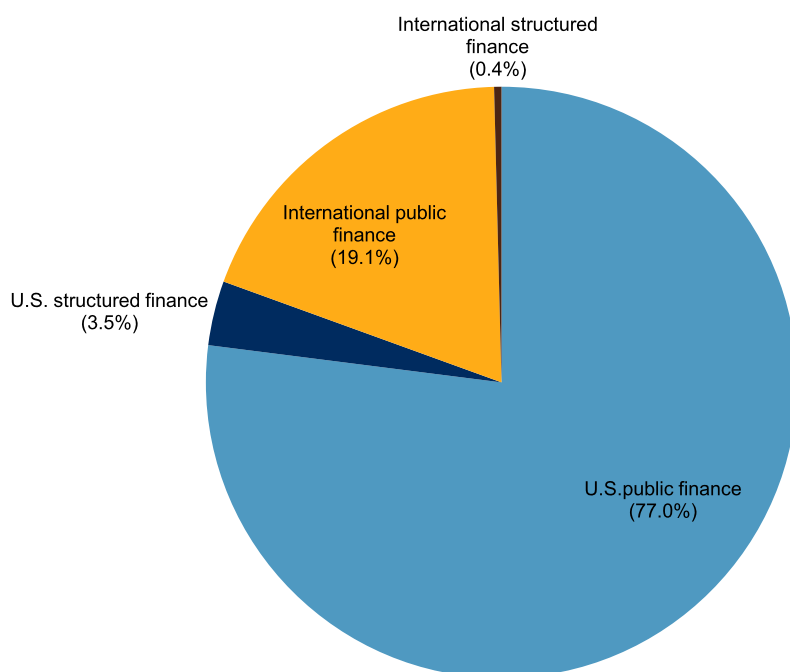
Source: S&P Global Ratings.

Business Risk Profile: Very Strong

Assured has a very strong competitive position based on its underwriting strategy. Although much of the group's business has been insured debt issues in USPF, underwriting includes global structured finance and international local and regional government bonds as well as infrastructure projects. This underwriting strategy provides flexibility to capitalize on opportunities in one market when other markets are less favorable. From an insured risk perspective, we view management's approach to writing business in non-U.S. public finance markets as well thought out and measured.

Chart 1

Total net insured par



Source: S&P Global Ratings.

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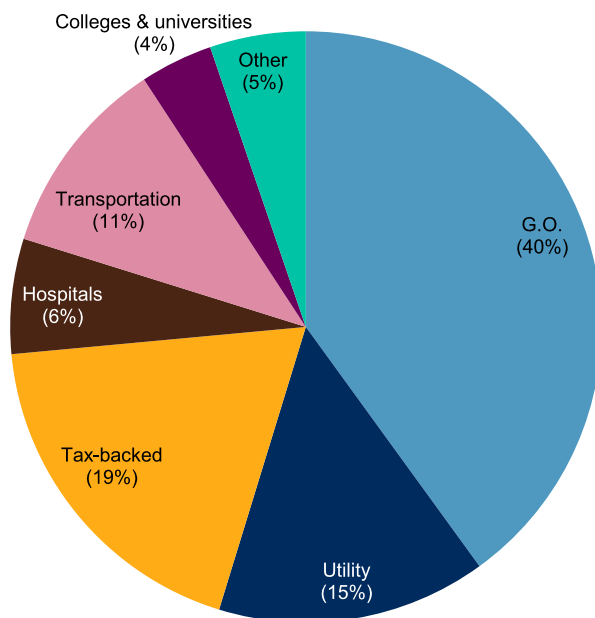
In 2022, Assured's adjusted gross premiums written increased 3.8% to \$374.8 million following an 17.4% decrease in gross par written to \$22 billion. The underlying average credit quality of business written remains approximately 'A-'. These trends indicate that Assured is receiving better pricing on insured risk. Gross par written in the USPF market hasn't notably changed so far this year, reflecting rising interest rates and a decrease in municipal issuances. Still, Assured continues to experience strong demand in the insured secondary market.

For the first six months of 2023, while U.S. municipal bond sales are down because of refunding transactions put on hold in response to the rapidly rising interest rates, new money issuance is up nearly 10%. Much of the rise in new

money issues is due to state and local investment in essential infrastructure. Federal grants associated with the Infrastructure Investment and Jobs Act may further boost these types of investments. From a profit perspective within the USPF market, higher interest rates and widening spreads also create strong pricing opportunity and long-term profitability for Assured.

Chart 2

Net insured U.S. public finance par



Source: S&P Global Ratings.

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From an international perspective, Assured has been able to capitalize on the demand for bilateral transactions that provide regulatory relief for banks and insurance companies. We expect this trend to continue, and that management will continue its cautious approach to this underwriting expansion.

Assured's par exposure continues to be heavily weighted (80% as of March 31, 2023) toward issuers domiciled in the U.S. International exposures are predominantly based in the U.K. (15%), with the remainder based in other advanced economies in Europe. Our current Insurance and Industry Country Risk Assessment (IICRA) for U.S. Bond Insurance is low. For a country or sector representing more than 5% of par exposure where we do not have an IICRA--U.K. bond insurance in this instance--we use the IICRA of the country-sector combination whose country and industry characteristics we consider most like those of the country or sector where the insurer operates. We consider the U.S. Bond Insurance IICRA as an appropriate IICRA proxy for Assured's exposure to the U.K. market. Separate and apart from the relevant IICRA(s), under our methodology we assess capital charges on each exposure based on the credit

risk of the underlying issue.

Financial Risk Profile: Very Strong

We assess the group's capital and earnings as excellent, with a capital adequacy ratio well above 1.0x. Management has indicated a commitment to maintain this level of capital adequacy. With regard to Assured's remaining exposure to issuers in Puerto Rico not covered by prior settlements, with the exception of the Puerto Rico Electric Power Authority (PREPA), these issuers have been making regular debt service payments. If a 100% loss is assumed on Assured's PREPA debt service exposure, the present value of future claim payments is \$788 million. Assured has sufficient redundancy in its capital positions to incur a 100% loss on its PREPA exposure without changing its financial risk profile.

Assured's moderately high risk exposure reflects the application of our largest obligor test, which highlights potential concentration risks of the insured portfolio, which weigh on our assessment of Assured's financial risk profile. This test doesn't necessarily assume these exposures will default, but rather that potential rating changes of the underlying insured issues could lead to volatility in capital adequacy. Somewhat offsetting the concentration risk of the insured portfolio is the fact that the investment portfolio has low risk and is almost entirely fixed-income investments with an average credit quality of 'AA'.

Other Key Credit Considerations

Governance

The experienced management team demonstrates a strong understanding of the various risks the company faces as it executes its corporate strategy. We consider its risk management culture as positive, reflecting Assured's robust risk reporting and significant oversight from senior management. Management employs a structured process for risk identification and monitoring, detailed risk limits and policies, and a system of enforcement through well-defined authorities to control underwriting risk, surveillance, and loss mitigation.

Liquidity

We assess Assured's liquidity as exceptional as a result of a conservative investment strategy that we believe adequately supports its liquidity needs. The company is sufficiently covered for loss and loss adjustment expenses payable in the next 12 months, and we don't foresee any longer-term material liquidity risks at this time. Given Assured's investment strategy, we think the company maintains sufficient liquidity to cover unexpected stress in the insured portfolio.

Factors specific to the holding company

Assured Guaranty U.S. 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 debt service needs of Assured Holdings and AGMH and our 'A' issuer credit rating on AGL depend on the ability of operating companies to pay dividends.

Environmental, social, and governance

ESG Credit Indicators

E-1	E-2	E-3	E-4	E-5	S-1	S-2	S-3	S-4	S-5	G-1	G-2	G-3	G-4	G-5
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ESG credit indicators provide additional disclosure and transparency at the entity level and reflect S&P Global Ratings' opinion of the influence that environmental, social, and governance factors have on our credit rating analysis. They are not a sustainability rating or an S&P Global Ratings ESG Evaluation. The extent of the influence of these factors is reflected on an alphanumeric 1-5 scale where 1 = positive, 2 = neutral, 3 = moderately negative, 4 = negative, and 5 = very negative. For more information, see our commentary "ESG Credit Indicators: Definition And Applications," published Oct. 13, 2021.

Environmental, social, and governance factors have no material influence on our credit rating analysis of Assured.

Accounting considerations

We consider both generally accepted accounting principles and statutory statements when examining Assured's capital, earnings, and other financial metrics versus those of peers.

Related Criteria

- Environmental, Social, And Governance Principles In Credit Ratings, Oct. 10, 2021
- Group Rating Methodology, July 1, 2019
- Hybrid Capital: Methodology And Assumptions, July 1, 2019
- Insurers Rating Methodology, July 1, 2019
- Methodology And Assumptions For Analyzing Bond Insurance Capital Adequacy, July 1, 2019
- Principles Of Credit Ratings, Feb. 16, 2011

Business And Financial Risk Matrix

Business risk profile	Financial risk profile							
	Excellent	Very Strong	Strong	Satisfactory	Fair	Marginal	Weak	Vulnerable
Excellent	aa+	aa	aa-	a+	a-	bbb	bb+	b+
Very Strong	aa	aa/aa-	aa-/a+	a+/a	a-/bbb+	bbb/bbb-	bb+/bb	b+
Strong	aa-/a+	a+/a	a/a-	a-/bbb+	bbb+/bbb	bbb-/bb+	bb/bb-	b+/b
Satisfactory	a	a/a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bb+/bb	bb-/b+	b/b-
Fair	a-	a-/bbb+	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb/bb-	b+/b	b-
Weak	bbb+/bbb	bbb/bbb-	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b/b-	b-
Vulnerable	bbb-/bb+	bb+/bb	bb/bb-	bb-/b+	b+/b	b/b-	b-	b-

Note: Where table indicates two possible outcomes, we determine the anchor as follows: For financial risk profiles that we assess as satisfactory or stronger, we consider the relative strength of both the business risk and financial risk profiles within the cell. This is based on a holistic assessment of the relative strengths of the rating factors of the business risk profile and financial risk profile. For financial risk profiles that we assess as fair or weaker, we typically place more weight on the relative strength of the rating factors of the financial risk profile.

Ratings Detail (As Of July 13, 2023)*

Assured Guaranty Ltd.

Issuer Credit Rating	A/Stable/--
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Related Entities**Assured Guaranty Corp.**

Financial Strength Rating	
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<i>Local Currency</i>	AA/Stable/--
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Issuer Credit Rating	
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<i>Local Currency</i>	AA/Stable/--
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Financial Enhancement Rating	
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<i>Local Currency</i>	AA/Stable/--
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Assured Guaranty (Europe) SA

Financial Strength Rating	
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<i>Local Currency</i>	AA/Stable/--
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Issuer Credit Rating	
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<i>Local Currency</i>	AA/Stable/--
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Financial Enhancement Rating	
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<i>Local Currency</i>	AA/Stable/--
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Assured Guaranty Municipal Corp.

Financial Strength Rating	
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<i>Local Currency</i>	AA/Stable/--
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Issuer Credit Rating	
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<i>Local Currency</i>	AA/Stable/--
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Financial Enhancement Rating	
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<i>Local Currency</i>	AA/Stable/--
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Assured Guaranty Municipal Holdings Inc.

Issuer Credit Rating	
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<i>Local Currency</i>	A/Stable/--
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Junior Subordinated	BBB+
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Senior Unsecured	A
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Assured Guaranty Re Ltd.

Financial Strength Rating	
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<i>Local Currency</i>	AA/Stable/--
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Issuer Credit Rating	
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<i>Local Currency</i>	AA/Stable/--
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Financial Enhancement Rating	
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<i>Local Currency</i>	AA/Stable/--
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Assured Guaranty Re Overseas Ltd.

Financial Strength Rating	
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<i>Local Currency</i>	AA/Stable/--
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Issuer Credit Rating	
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<i>Local Currency</i>	AA/Stable/--
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Financial Enhancement Rating	
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<i>Local Currency</i>	AA/Stable/--
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Ratings Detail (As Of July 13, 2023)*(cont.)

Assured Guaranty UK Ltd.

Financial Strength Rating

Local Currency

AA/Stable/--

Issuer Credit Rating

Local Currency

AA/Stable/--

Financial Enhancement Rating

Local Currency

AA/Stable/--

Assured Guaranty US Holdings Inc.

Issuer Credit Rating

A/Stable/--

Junior Subordinated

BBB+

Senior Unsecured

A

Sutton Capital Trust I

Preferred Stock

A+

Sutton Capital Trust II

Preference Stock

A+

Sutton Capital Trust III

Preferred Stock

A+

Sutton Capital Trust IV

Preferred Stock

A+

Woodbourne Capital Trust I

Preferred Stock

A+

Woodbourne Capital Trust II

Preferred Stock

A+

Woodbourne Capital Trust III

Preferred Stock

A+

Woodbourne Capital Trust IV

Preferred Stock

A+

Domicile

Bermuda

*Unless otherwise noted, all ratings in this report are global scale ratings. S&P Global Ratings' credit ratings on the global scale are comparable across countries. S&P Global Ratings' 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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