

Rating Action: Moody's upgrades Assured Guaranty's ratings; outlook is stable

18 March 2022

New York, March 18, 2022 – Moody's Investors Service ("Moody's") has upgraded the insurance financial strength (IFS) ratings of Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty UK Limited (AGUK) to A1 from A2 and the IFS rating of Assured Guaranty Corp. (AGC) to A2 from A3. Moody's also upgraded the debt ratings of Assured Guaranty US Holdings Inc. (AGUS) (backed senior debt to Baa1 from Baa2), the junior subordinated debt rating of Assured Guaranty Municipal Holdings Inc. (AGMH) to Baa2(hyb) from Baa3(hyb), as well as the long-term issuer rating of Assured Guaranty Ltd. (Assured Guaranty) to Baa1 from Baa2. The outlook for the ratings is stable.

These rating actions also have implications for the various transactions wrapped by AGM, AGC and AGUK as discussed later in this press release.

RATINGS RATIONALE

The upgrade of Assured Guaranty and its subsidiaries reflects their improved credit profiles following the resolution of the group's exposure to the general obligation bonds issued by the Commonwealth of Puerto Rico and limited expected volatility among its remaining Puerto Rico exposures. Additionally, demand for financial guaranty insurance continues to trend favorably, both in the United States and in Europe, which supports the continued alignment of interests between Assured Guaranty's shareholders and its policyholders and creditors. Moody's also notes that the size of AGM's insured portfolio has stabilized after a long period of amortization and is again growing slowly as new business replaces maturing and refunded bonds. This growth is expected to support the firm's earnings profile going forward, particularly without the drag of loss and loss adjustment expenses incurred on defaulted Puerto Rico exposures over the past several years.

RATING RATIONALE - Assured Guaranty Municipal Corp.

AGM's A1 IFS rating reflects its strong capital profile, conservative underwriting of US municipal and international infrastructure 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. AGM is the flagship guarantor within the Assured Guaranty group of companies, producing the majority of group's new business. AGM's ability to organically generate significant capital through premium and investment earnings make its credit profile resilient to a broad range of stress scenarios.

RATING RATIONALE - Assured Guaranty Corp.

AGC's A2 IFS rating reflects AGC's very strong capital adequacy profile due to an increase in its capital resources resulting from several acquisitions of legacy financial guarantors over the past several years as well as the amortization of its insured portfolio and resolution of certain Puerto Rico exposures and good flow of embedded earnings associated with its unearned premium base. These strengths are tempered by the confidence-sensitive nature of the financial guaranty insurance business and low levels of new business production relative to AGM. Moody's maintains a one notch

rating differential between AGM and AGC to reflect its more limited strategic role within the Assured Guaranty group of companies.

RATING RATIONALE – Assured Guaranty UK Limited

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.

RATING RATIONALE – Debt Ratings

The Baa1 senior debt rating of AGUS represents a three notch spread between the senior debt rating and AGM's A1 IFS rating, which is consistent with Moody's 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.

RATINGS LIST

The following ratings have been upgraded:

Assured Guaranty Ltd. – long-term issuer rating to Baa1 from Baa2;

Assured Guaranty US Holdings Inc. – backed senior unsecured debt to Baa1 from Baa2, backed junior subordinated debt to Baa2(hyb) from Baa3(hyb);

Assured Guaranty Municipal Holdings Inc. – junior subordinated debt to Baa2(hyb) from Baa3(hyb);

Assured Guaranty Municipal Corp. -- insurance financial strength rating to A1 from A2;

Assured Guaranty UK Limited -- insurance financial strength rating to A1 from A2;

Sutton Capital Trusts I, II, III, and IV -- contingent capital securities to Baa1(hyb) from Baa2(hyb);

Assured Guaranty Corp. -- insurance financial strength rating to A2 from A3;

Woodbourne Capital Trusts I, II, III, and IV -- contingent capital securities to Baa2(hyb) from Baa3(hyb);

Outlook Actions:

The outlooks for Assured Guaranty Ltd., Assured Guaranty US Holdings Inc., Assured Guaranty Municipal Holdings Inc., Assured Guaranty Municipal Corp., Assured Guaranty UK Limited, Sutton Capital Trust I, Sutton Capital Trust II, Sutton Capital Trust III, Sutton Capital Trust IV, Assured Guaranty Corp., Woodbourne Capital Trust I, Woodbourne Capital Trust II, Woodbourne Capital Trust III and Woodbourne Capital Trust IV remain stable.

TREATMENT OF WRAPPED TRANSACTIONS

Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's methodology "Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts" (May 2017).

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, and also provides asset management services. As of December 31, 2021, Assured Guaranty had consolidated net par outstanding of approximately \$236 billion, qualified statutory capital of \$6.8 billion, and total claims paying resources of \$11.2 billion.

The principal methodology used in these ratings was Financial Guarantors Methodology published in November 2019 and available at https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_1186098. Alternatively, please see the Rating Methodologies page on www.moodys.com for a copy of this methodology.

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For further specification of Moody's key rating assumptions and sensitivity analysis, see the sections Methodology Assumptions and Sensitivity to Assumptions in the disclosure form. Moody's Rating Symbols and Definitions can be found at: https://www.moodys.com/researchdocumentcontentpage.aspx?docid=PBC_79004.

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