

**Rating Action: Assured Guaranty Corp**

**MOODY'S REVISES RATING OUTLOOK OF ASSURED GUARANTY CORP. TO POSITIVE FROM STABLE, AFFIRMS INSURANCE FINANCIAL STRENGTH RATING AT Aa1**

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New York, June 27, 2006 -- Moody's Investors Service affirmed the Aa1 insurance financial strength ratings (IFSR) of Assured Guaranty Corp (AGC) and its wholly owned subsidiary, Assured Guaranty (UK) Ltd., and revised the rating outlooks to positive from stable. The A1 issuer rating for the holding company, Assured Guaranty Ltd. (AGL) and the A1 debt rating of Assured Guaranty US Holdings, Inc. have been affirmed with stable rating outlooks. The ratings of all other affiliated companies, including the Aa2 rating for Assured Guaranty Re Ltd., (AG Re) have also been affirmed with stable outlooks. The positive outlook reflects AGC's progress in executing its revised business plan as a direct writer of financial guaranty insurance following the IPO of AGL in May, 2004.

Moody's said that although execution risk of AGC's revised business strategy remains, the company has made significant progress in establishing its direct financial guaranty insurance franchise. Over the past several quarters, AGC's volume and diversity of business underwritten has increased, as has the list of institutional investors that purchase its wrapped transactions. In addition, the company has continued to maintain high quality underwriting standards and strong risk adjusted capitalization. Moody's also cited the firm's enhancements to its corporate governance, operating infrastructure and risk management processes since the IPO, although these processes are still somewhat untested.

AGC has continued to demonstrate improved trends in quarterly direct production, as indicated by the volume of the present value of premiums written and the number of transactions underwritten since the IPO. Unlike its 2003-and-prior direct book that was largely in the form of CDS execution, more than 60% of the insurance written after 2003 has been executed in financial guaranty form, which Moody's believes to be more supportive of franchise growth. However, the company's financial guaranty activity remains substantially concentrated in a few sectors, with the mortgage-backed and CDO sectors accounting for more than 55% of the present value of premiums written since 1Q2004. Moody's also believes that the company has improved market receptivity as reflected in narrowing credit spreads on its insured paper.

At the same time, Moody's said that Assured's ratings continue to reflect the challenges of executing its revised business strategy. Primary financial guaranty is a franchise driven business where ratings and relative trading value represent significant differentiating factors. AGC, as a relatively new player has succeeded in improving its standing with investors, although it continues to face challenges in penetrating the municipal and structured flow market. Additionally, the growth prospects for the financial guaranty industry continue to be constrained by increased competitive pressures, tight credit spreads, and alternative executions. Furthermore, the group's growing primary financial guaranty business competes directly with its main reinsurance clients, which has diminished the demand for AG Re's reinsurance product.

Moody's said that continued progress in executing the firm's revised business strategy would be supportive of an upgrade of the IFSR. Specifically, achieving a sustainable market share of greater than 5% of industry gross par written while broadening the diversity of its business mix and maintaining hard and total capital ratios above 1.5x (to account for future growth and business strategy execution risks) could lead to an upgrade. Conversely, downward rating pressure could occur if there is a deterioration in the credit quality of the insured portfolio or if the company fails to maintain hard and total capital ratios above 1.3x. Significant deterioration in industry fundamentals or diversification into higher-risk business could also result in downward rating pressure.

Assured Guaranty Corp. is a financial guaranty insurance company based in New York. At March 31, 2006, it had net par exposure of \$54.6 billion and qualified statutory capital of \$878 million. Assured Guaranty Corp. is a wholly owned subsidiary of Assured Guaranty Ltd, a Bermuda-based holding company. As of March 31, 2006 it had \$2.7 billion of assets and shareholder's equity of \$1.7 billion.

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