Moody's Investors Service

Global Credit Research
Rating Action
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Rating Action: **Assured Guaranty Corp**

Moody's places ratings of Assured Guaranty Corp under review for upgrade

New York, March 16, 2007 -- Moody's Investors Service placed the Aa1 insurance financial strength ratings (IFSR) of Assured Guaranty Corp (AGC) and its wholly owned subsidiary Assured Guaranty (UK) Ltd. under review for possible upgrade. Moody's also placed the Aa3 ratings of the contingent capital securities, Woodbourne Capital Trust I, II, III, and IV, and the A1 senior debt rating of Assured Guaranty US Holdings (AG US Holdings) under review for possible upgrade. At the same time, Moody's upgraded the $150 million junior subordinated debt rating of AG US Holdings to A2 from A3, which had been under review for upgrade in conjunction with Moody's recently released notching methodology for hybrid securities, and placed the rating of these securities under review for further upgrade in conjunction with the rating action of its main operating company, AGC. The A1 issuer rating for the ultimate holding company, Assured Guaranty Ltd. (AGL) and the ratings of all other affiliated companies, including the Aa2 rating for Assured Guaranty Re Ltd., (AG Re) were affirmed with a stable outlook. These rating actions reflect AGC's progress toward executing its revised business plan following the company's IPO in April, 2004.

Moody's said that AGC has continued to make significant progress in establishing its direct financial guaranty insurance franchise following the assignment of a positive rating outlook in June of last year. AGC achieved over a 7% market share (as measured by industry gross par written) during 2006, while increasing the diversity of business segments that it insures and broadening the list of institutional investors that purchase its wrapped transactions. At the same time, the company has continued to maintain high quality underwriting standards and strong risk adjusted capitalization. Moody's also cited as positive rating factors the conservative leverage profile of the holding company, AG US Holdings, and enhancements to its corporate governance, operating infrastructure and risk management processes.

AGC has continued to demonstrate improving trends in direct production, with the number of transactions underwritten during 2006 increasing by 21% and the volume of the present value of premiums (PVP) written rising by 108% over the previous year. AGC has also improved the diversity of its portfolio by expanding the volume of public finance transactions written, and by continuing to increase its penetration in the international markets. The rating agency notes that AGC increased its participation in the structured US and international structured finance markets by writing a greater proportion of its new business in credit default swap (CDS) form during 2006 vs. 2005, which Moody's believes to be less supportive of franchise growth. The company's financial guaranty activity remains substantially concentrated in the CDO sector, which accounted for more than 38% of par written and 35% of PVP written in 2006, although these concentrations are down from 48% and 38%, respectively in 2005. Moody's believes that market receptivity is also improving for AGC as indicated by narrowing credit spreads on its insured paper.

Moody's said that the review for possible upgrade anticipates that, despite a challenging business environment, AGC will continue to sustain positive market share trends, leading to an improvement in the firm's franchise value and profitability metrics. AGC's hard and total capital ratios continue to be strong, although these ratios are likely to decline as the company deploys capital. Moody's rating drivers for the company build in the expectation that AGC will maintain hard and total capital ratios above 1.5x over the medium term to account for continued future growth and business execution risks.

Moody's said that its review will focus on AGC's future business plans and the extent of any contemplated expansion into ancillary or non-core businesses. The review will also focus on the strategic interplay between AGC and AG Re, including the impact of the group's capital management strategies on the portfolio characteristics and capital adequacy metrics of these subsidiaries on an independent and combined basis.

The following ratings were placed under review for upgrade:

Assured Guaranty Corp - insurance financial strength at Aa1;

Assured Guaranty UK - insurance financial strength at Aa1;

Woodburne Capital Trusts I, II, III, and IV - contingent capital securities at Aa3;

Assured Guaranty US Holdings - senior unsecured at A1; provisional senior unsecured shelf at (P)A1; provisional subordinated debt at (P)A2;

Assured Guaranty Capital Trusts I and II - provisional preferred stock at (P)A2.

The following rating was upgraded and placed under review for further upgrade:

Assured Guaranty US Holdings - junior subordinated debt to A2 from A3.

The following ratings were affirmed:

Assured Guaratny Re - insurance financial strength at Aa2:

Assured Guaranty Re Overseas Ltd. - insurance financial strength at Aa2

Assured Guaranty Mortgage Insurance Company - insurance financial strength at Aa2

Assured Guaranty Ltd. - issuer rating at A1

Assured Guaranty Corp. is a financial guaranty insurance company based in New York. At December 31, 2006, the company had net par exposure of $68.4 billion and qualified statutory capital of $917 million. Assured Guaranty Corp. is a wholly owned subsidiary of Assured Guaranty US Holdings. Assured Guaranty Re is a Bermuda based financial guaranty reinsurance company with net par exposure of $ 63.9 billion as of December 31, 2006. Assured Guaranty Re and Assured Guaranty US Holdings are wholly owned by Assured Guaranty Ltd., a Bermuda-based holding company. As of December 31, 2006, Assured Guaranty Ltd. had total assets of $2.9 billion and $1.7 billion in shareholder's equity.

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