

Rating Action: Assured Guaranty Corp

Moody's reviews Assured Guaranty ratings for possible downgrade

New York, May 20, 2009 -- Moody's Investors Service has placed under review for possible downgrade the Aa2 insurance financial strength rating of Assured Guaranty Corp., as well as the ratings of other entities within the Assured group. Today's rating action reflects Moody's view that despite recent improvements in the company's market position, the expected performance of the insured portfolio -- particularly the mortgage-related risks -- has substantially worsened.

Today's rating action has implications for the various transactions wrapped by Assured as discussed later in this press release.

Moody's has taken a more negative view of Assured's mortgage-related exposures -- and also its pooled corporate exposures -- in light of worse-than-expected performance trends, and recognizing the continued susceptibility of the insured portfolio to the weak economic environment. This has a direct, negative impact on Moody's assessment of the company's risk-adjusted capitalization. The deterioration in Assured's insured portfolio is of further concern because it could have negative implications for the financial guarantor's franchise value, profitability and financial flexibility given the likely sensitivity of those business attributes to its capital position. Moody's also notes that the market dislocation caused by declining financial strength of financial guaranty insurers may alter the competitive dynamics of the industry by encouraging the entry of new participants or the growth of alternative forms of execution.

Over the past two years, Assured has become a leading municipal bond insurance underwriter. Although the overall use of financial guaranty insurance among municipal issuers has substantially declined, Assured was the leading bond insurer in the first quarter of 2009. Moody's said that Assured's conservative underwriting strategy and expansion into the municipal market have resulted in a generally high-quality and diversified insured portfolio beyond the firm's mortgage-related exposures. However, Assured's increased expected future earnings stream from higher public finance volumes is not considered sufficient to offset the deterioration in its insured portfolio resulting from the weak economy. The company's exposure to structured finance transactions and to single risk concentrations continue to be a concern as the economy has deteriorated. Individually large structured finance exposures could further pressure Assured's capital position if a few of these transactions were to sustain meaningful losses.

COMMENTS ON THE PENDING ACQUISITION OF FSA

Recently, Assured announced that it has received all the required regulatory approvals for the pending acquisition of FSA and that the transaction is anticipated to close during 2Q2009. It is Moody's understanding that the transaction is proceeding according to plan, including the finalization of contractual arrangements which we expect to largely insulate Assured from consequential risk of FSA's asset management platform including the GIC and Global Funding businesses. Moody's believes that an acquisition of FSA by Assured Guaranty would not, in and of itself, have negative rating implications for Assured, though actual rating implications would depend on the specifics of such an integration and the combined business strategy of the group.

SCOPE OF THE REVIEW

Moody's said that the review of ratings will consider Assured's weakened risk-adjusted capital adequacy position, the effect of any capital remediation efforts, and the pending transaction on the financial guarantor's business and financial profile. During the review Moody's will be refining its assessment of the RMBS and pooled corporate risks to reflect the impact of recent performance trends, structural features, and loss mitigation activities on Assured's expected and stress loss estimates in an uncertain economic environment. Moody's will also consider Assured's evolving views on the business strategy contemplated for the combined companies.

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 special comment entitled "Assignment of Wrapped Ratings When Financial Guarantor Falls Below

Investment Grade" (May, 2008); and Moody's November 10, 2008 announcement entitled "Moody's Modifies Approach to Rating Structured Finance Securities Wrapped by Financial Guarantors".

As a result of this review, the Moody's-rated securities that are guaranteed or "wrapped" by Assured are also placed under review for possible downgrade, except those with higher public underlying ratings (and for structured securities, the published or unpublished underlying rating). A list of these securities will be made available under "Ratings Lists" at www.moodys.com/guarantors.

AFFECTED RATINGS

The following ratings have been placed on review for possible downgrade:

Assured Guaranty Corp. -- insurance financial strength rating at Aa2;

Assured Guaranty (UK) Ltd. -- insurance financial strength at Aa2;

Assured Guaranty Re Ltd. -- insurance financial strength at Aa3;

Assured Guaranty Re Overseas Ltd. -- insurance financial strength at Aa3;

Assured Guaranty Mortgage Insurance Company -- insurance financial strength at Aa3;

Assured Guaranty US Holdings Inc. -- senior unsecured at A2, junior subordinated debt at A3, provisional senior unsecured at (P)A2, provisional subordinated debt at (P)A3;

Assured Guaranty Ltd. (Bermuda) -- issuer rating at A2, provisional senior unsecured at (P)A2, provisional subordinated debt at (P)A3, provisional preferred at (P)Baa1;

Assured Guaranty Capital Trusts I and II -- provisional preferred at (P)A3;

Woodbourne Capital Trusts I, II, III, and IV -- contingent capital securities at A1.

The last rating action was on November 21, 2008 when Moody's downgraded the insurance financial strength rating of Assured Guaranty Corp. to Aa2, from Aaa.

The principal methodology used in rating Assured Guaranty was Moody's Rating Methodology for the Financial Guaranty Insurance Industry, which can be found at www.moodys.com in the Credit Policy & Methodologies directory, in the Ratings Methodologies subdirectory. Other methodologies and factors that may have been considered in the rating process can also be found in the Credit Policy & Methodologies directory.

OVERVIEW OF ASSURED GUARANTY

Assured Guaranty Corp. is a financial guaranty insurance company based in New York. At March 31, 2009, the company had net par exposure of \$120.4 billion and qualified statutory capital of \$1.1 billion. Assured Guaranty Corp. is a wholly owned subsidiary of Assured Guaranty US Holdings Inc. Assured Guaranty Re Ltd. is a Bermuda based financial guaranty reinsurance company with net par exposure of \$116.7 billion as of March 31, 2009. Assured Guaranty Re and Assured Guaranty US Holdings Inc. are wholly owned by Assured Guaranty Ltd. [NYSE:AGO], a Bermuda-based holding company. As of March 31, 2009, Assured Guaranty Ltd. had total assets of \$5.6 billion and \$2.0 billion in GAAP shareholder's equity.

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