

Ratings Process and Maryland Credit Trends

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Agenda

Credit Ratings 101

The Rating Process

How is a Rating Determined

Maryland: What We're Watching

Appendix – Maryland Credit Conditions and Medians

Credit Ratings 101

Understanding S&P Global's Ratings

- Credit ratings are an evaluation of an issuer's **ability** and **willingness** to pay debt in a **timely manner**
- Credit ratings are **forward looking**
- The Ratings scale **is relative** and based on the creditworthiness of an issuer or credit quality of an individual debt issue, from strongest to weakest, within a universe of credit risk
 - The rating scale provides a basis for comparison across asset classes, geographies, and peers
- Criteria provide the analytic framework to derive the rating opinion
 - Different criteria for different obligator and security types
- Credit ratings are not a recommendation to buy or hold a security instrument
- S&P Global ratings are **opinions**, not guarantees of credit quality or exact measures of the probability that a particular issuer or particular debt issue will default

S&P Global's Ratings Scale

- **AAA**

Investment Grade: Extremely strong capacity to meet financial commitments

- **AA**

Investment Grade: Very strong capacity to meet financial commitments

- **A**

Investment Grade: Strong capacity to meet financial commitments, but somewhat susceptible to economic conditions and changes in circumstances

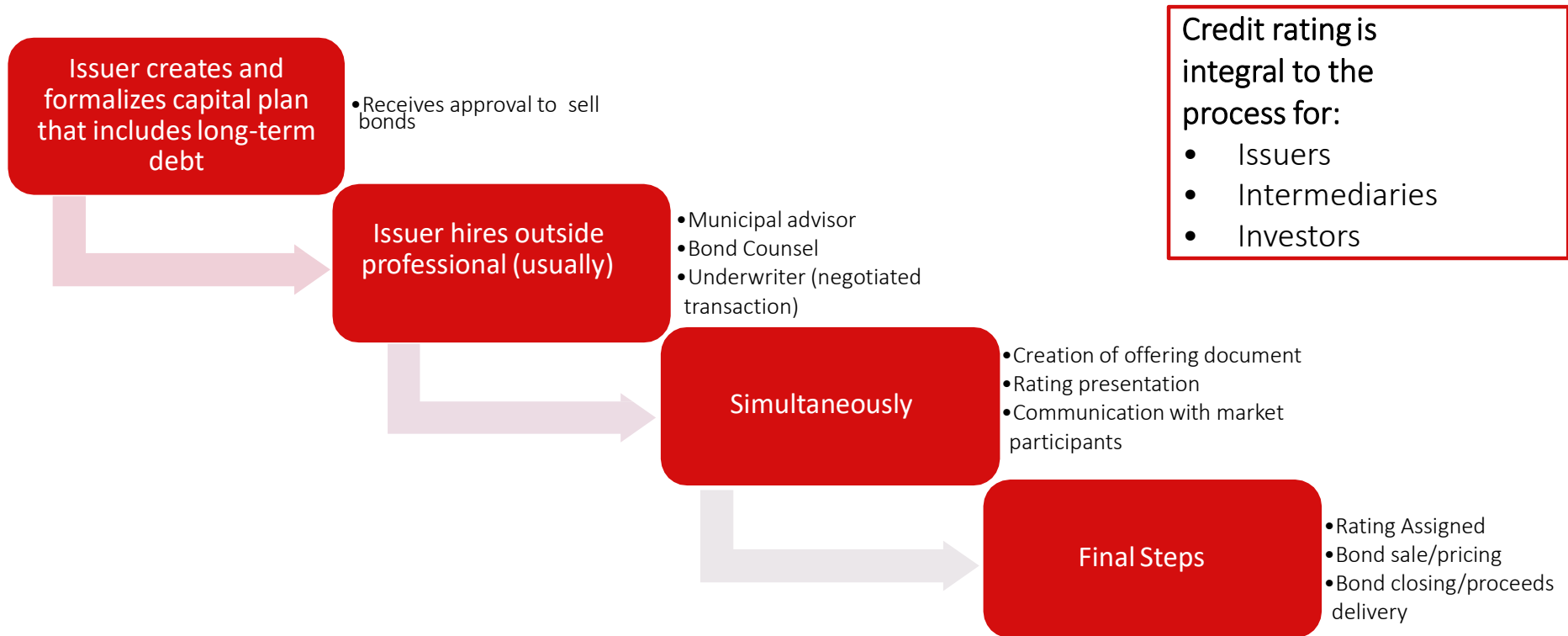
- **BBB**

Investment Grade: Adequate capacity to meet financial commitments, but more subject to adverse economic conditions

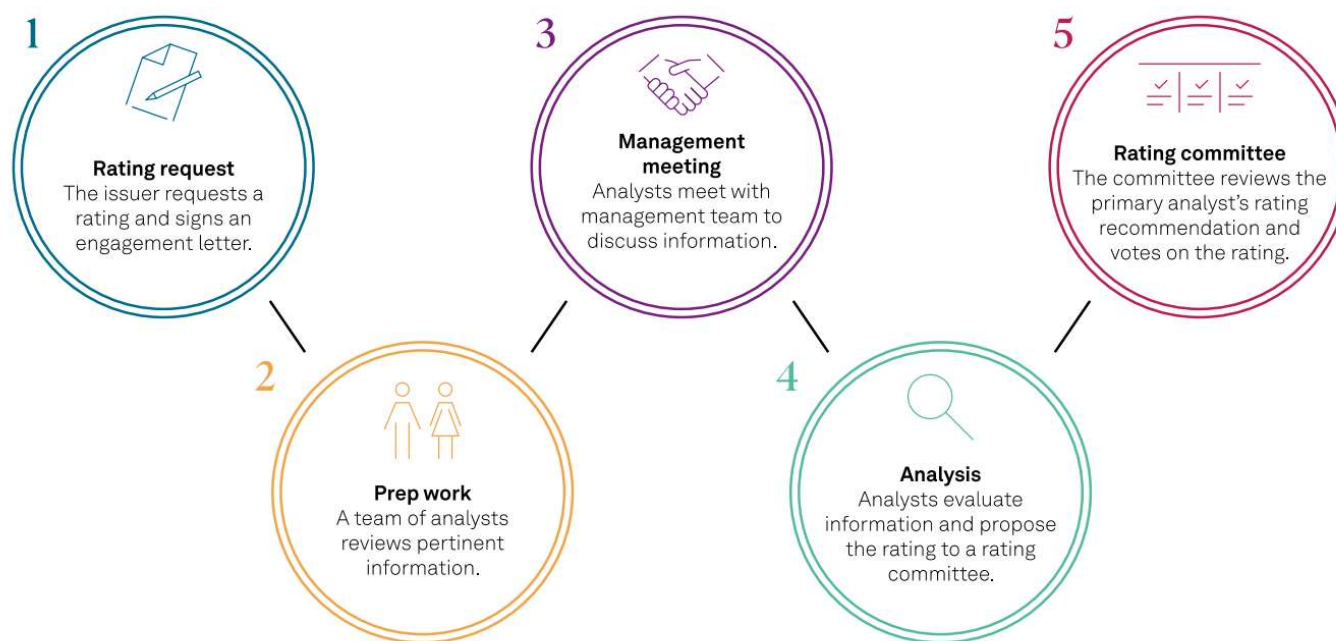
- **BB, B, CCC, CC, C, D**

Speculative Grade

Bond Rating Process



The Rating Process in Detail, Part I



The Rating Process in Detail, Part II



How is a rating determined? Criteria!

U.S. Governments Criteria published September 9, 2024 – 10,700 public ratings nationwide

We evaluate issuers based on credit fundamentals and issues/series of bonds on security type, pursuant to the applicable criteria.

Institutional Framework

- Predictability
- Revenue/Expenditure Balance and Support
- Transparency and Accountability

Individual Credit Profile

- Economy
- Financial Performance
- Reserves and Liquidity
- Management
- Debt and Liabilities

Maryland: What We're Watching



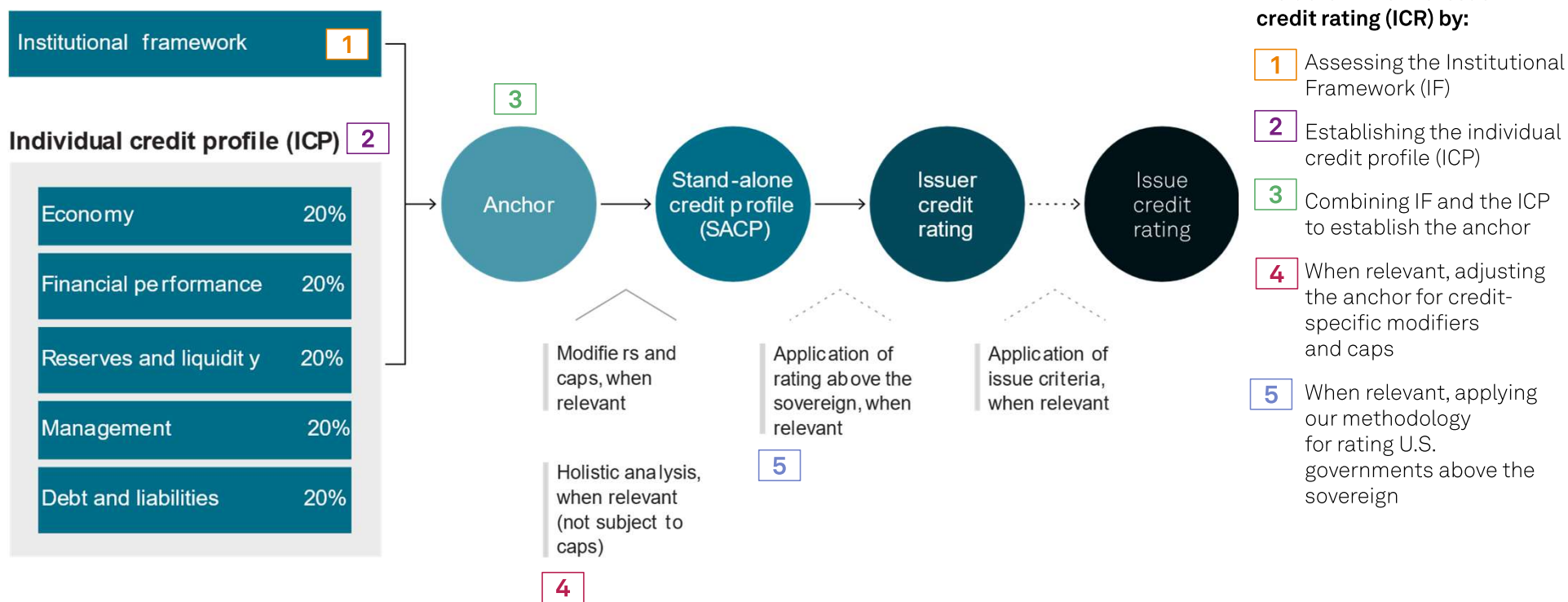
Q&A

Appendix

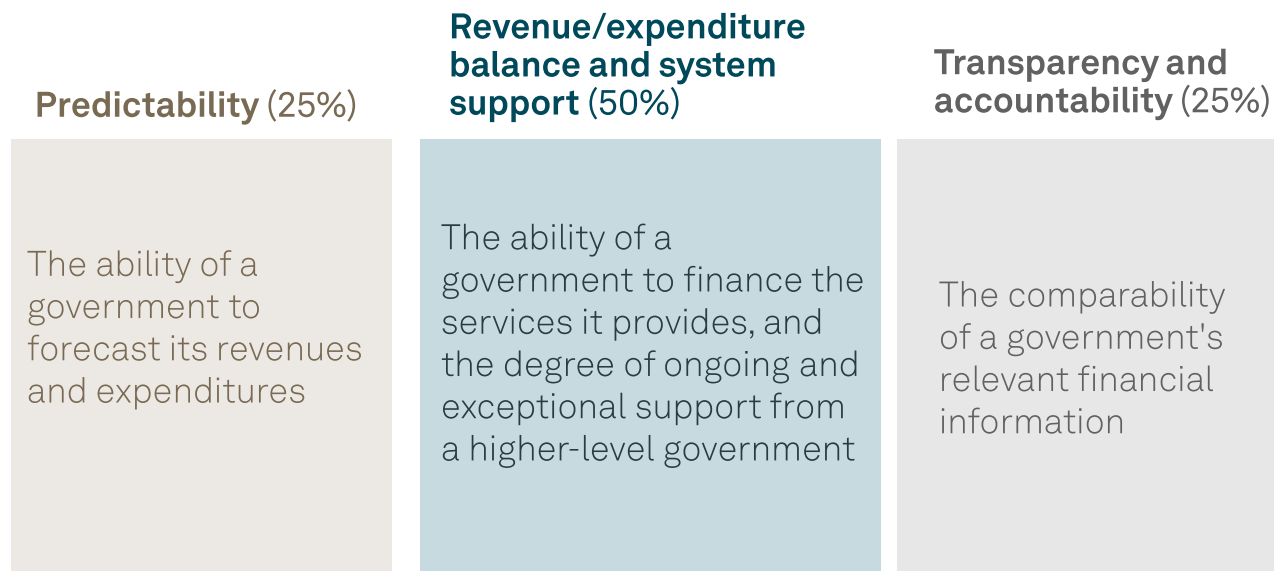
S&P Governments Criteria

U.S Governments Criteria

Framework for ratings U.S. governments



Institutional Framework



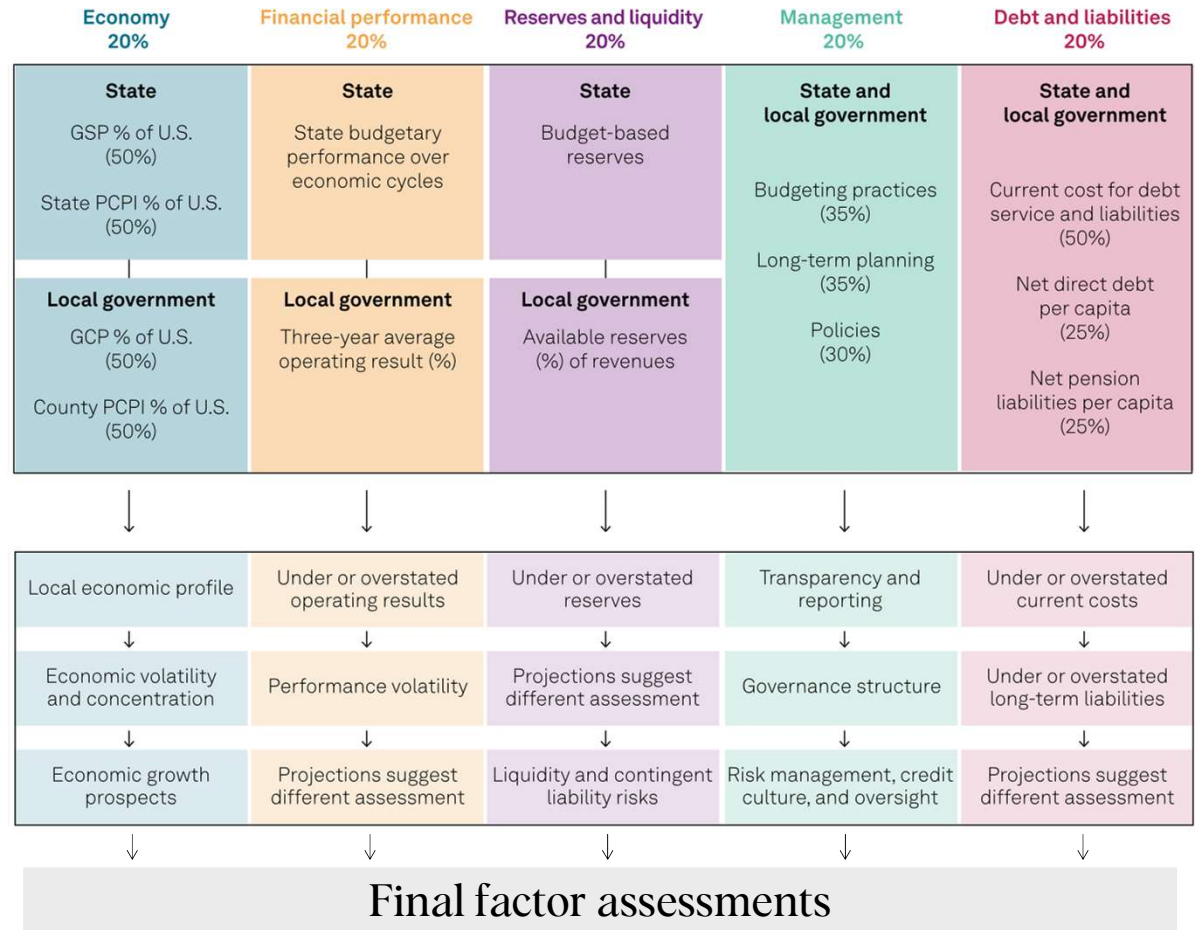
Framework For Establishing The Individual Credit Profile (ICP)

Step 1: Establish initial assessment

Step 2: Apply qualitative adjustments

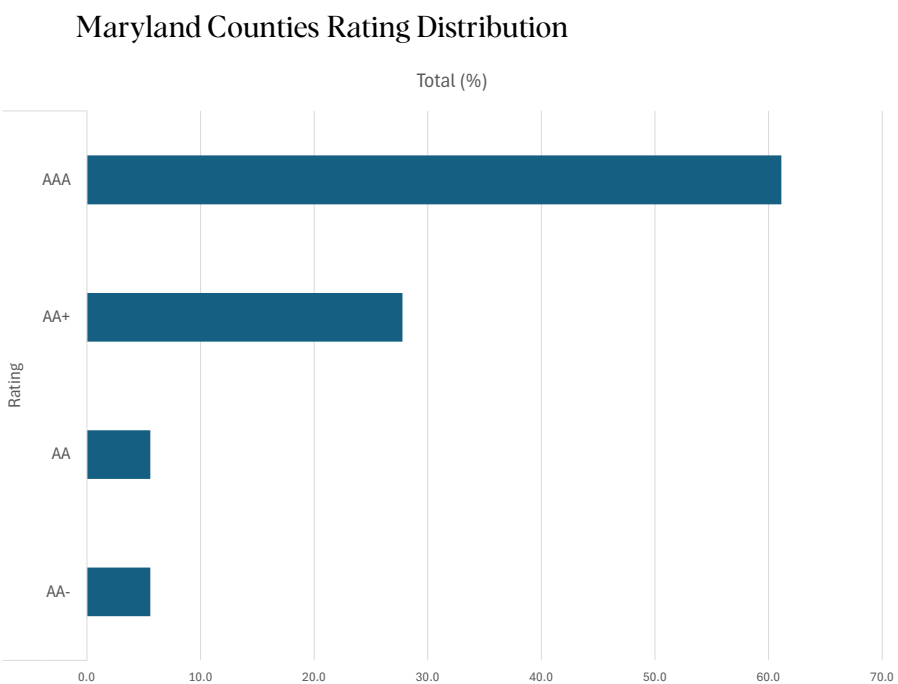
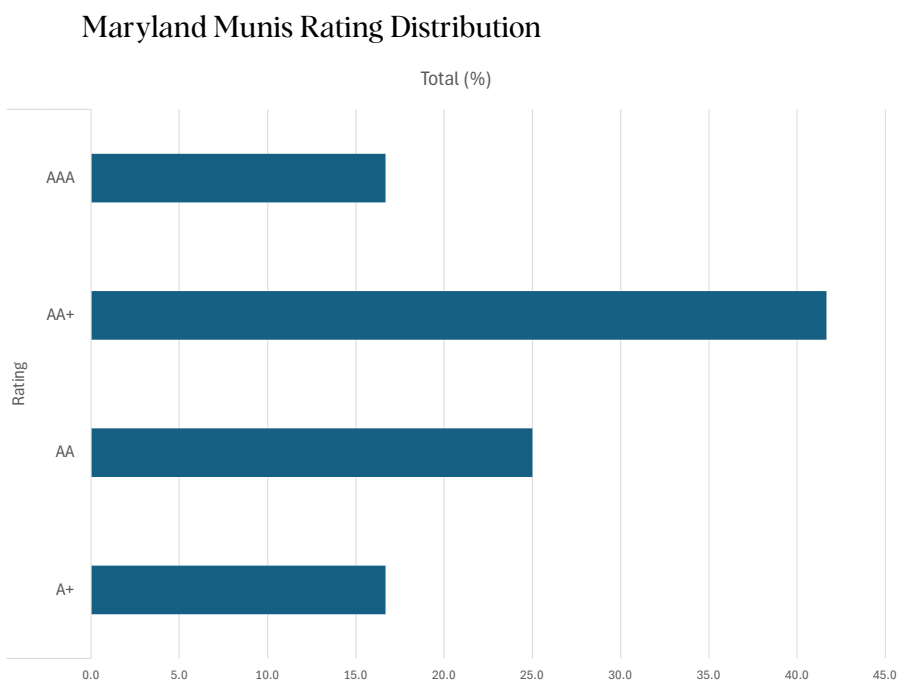
GSP--Gross state product. GCP--Gross county product. PCPI--Per capita personal income.

S&P Global
Ratings



Credit Trends: Maryland Municipalities and Counties

Maryland Portfolio: Rating Distribution



As of 12/1/2025

Credit Fundamentals

- Strong income and economic activity indicators, mitigated by more modest growth since the pandemic, with the state's primary industries consisting of numerous defense agencies and contractors, information technology, aerospace, telecommunications, and advanced manufacturing
- Historically resilient economy with a highly educated workforce and low unemployment, supported by the robust MSAs of Washington-Arlington-Alexandria and Baltimore-Columbia-Towson
- Generally strong financial performance and reserves for most LGs, supported by good growth in property and income tax revenue as well as taxing flexibility and proactive management teams that typically utilize formalized financial policies and practices
- Improved pension funded ratios for LGs participating in the Maryland State Retirement Pension System, which, on a combined basis, is on track to be funded close to 80% at the end of 2026

Maryland Municipalities: Medians

Maryland municipalities: medians						
	AAA	AA+	AA	AA-	A+	State Median
Median County GCP (%) of the U.S.	104	78	77	--	60	77
Median County PCPI (%) of the U.S.	112	103	81	--	71	81
Median 3-Year Performance Average (%) of Revenues	3.6	5.5	2.6	--	26.5	4.0
Median General Fund Balance (%) of Revenues	52	44	37	--	126	42
Median Debt Service (%) of Revenues	3.6	5.2	4.5	--	6.3	4.8
Median Net Direct Debt Per Capita	1,059	2,042	1,717	--	2,537	2,042

As of 12/1/2025

Maryland Counties: Medians

Maryland counties: medians					
	AAA	AA+	AA	AA-	State Medians
Median County GCP (%) of the U.S.	77	78	52	60	77
Median County PCPI (%) of the U.S.	109	86	81	71	102
Median 3-Year Performance Average (%) of Revenues	3.1	5.2	9.8	7.3	3.4
Median General Fund Balance (%) of Revenues	32	45	51	42	36
Median Debt Service (%) of Revenues	6.9	5.0	4.5	2.4	6.1
Median Net Direct Debt Per Capita	2,901	1,480	1,160	673	2,464

As of 12/12/2025

Thank you

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