S&P Global Ratings

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

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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

Issuer creates and formalizes capital plan that includes long-term debt

- Receives approval to sell bonds

Issuer hires outside professional (usually)

- Municipal advisor
- Bond Counsel
- Underwriter (negotiated transaction)

Simultaneously

- Creation of offering document
- Rating presentation
- Communication with market participants

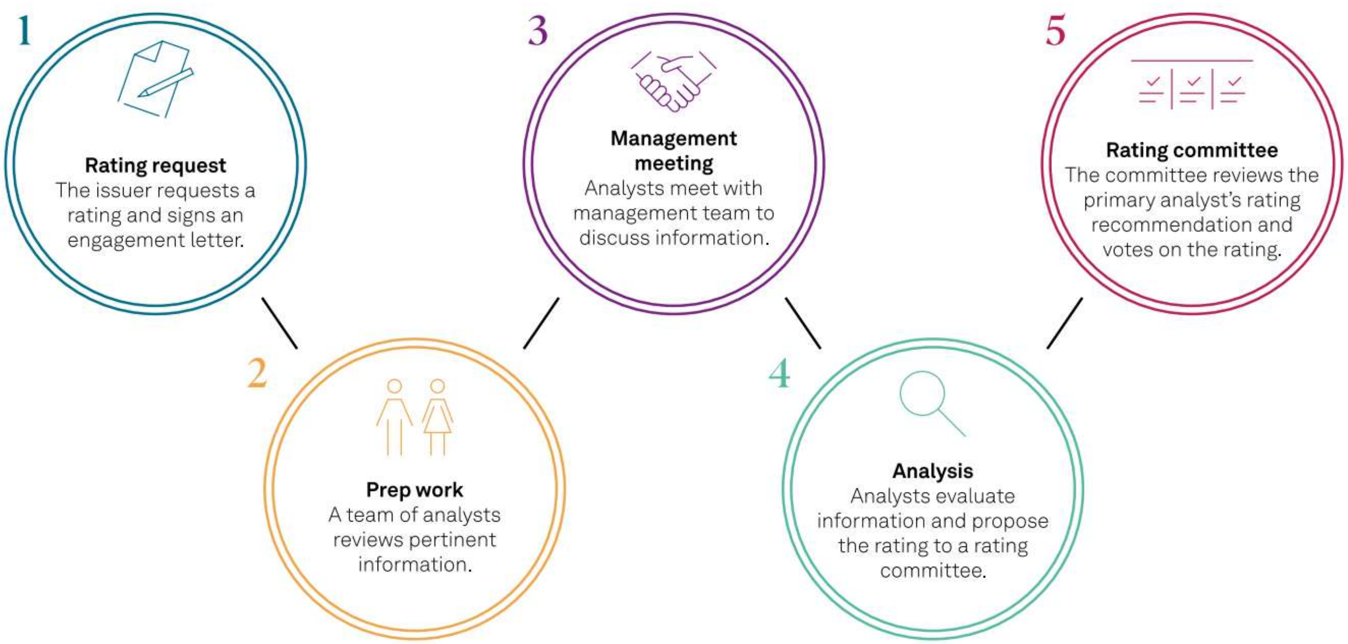
Final Steps

- Rating Assigned
- Bond sale/pricing
- Bond closing/proceeds delivery

Credit rating is integral to the process for:

- Issuers
- Intermediaries
- Investors

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

Federal policymaking	Income Tax Trends	Macroeconomic trends	Tourism/Hospitality Industry
State Credit Rating (AAA/Negative)	State Budget Trends	Infrastructure and Capital Needs	Pension Health
	Education cost increases resulting from Kirwan Commission	Cyber Threats	

Q&A

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S&P Governments Criteria

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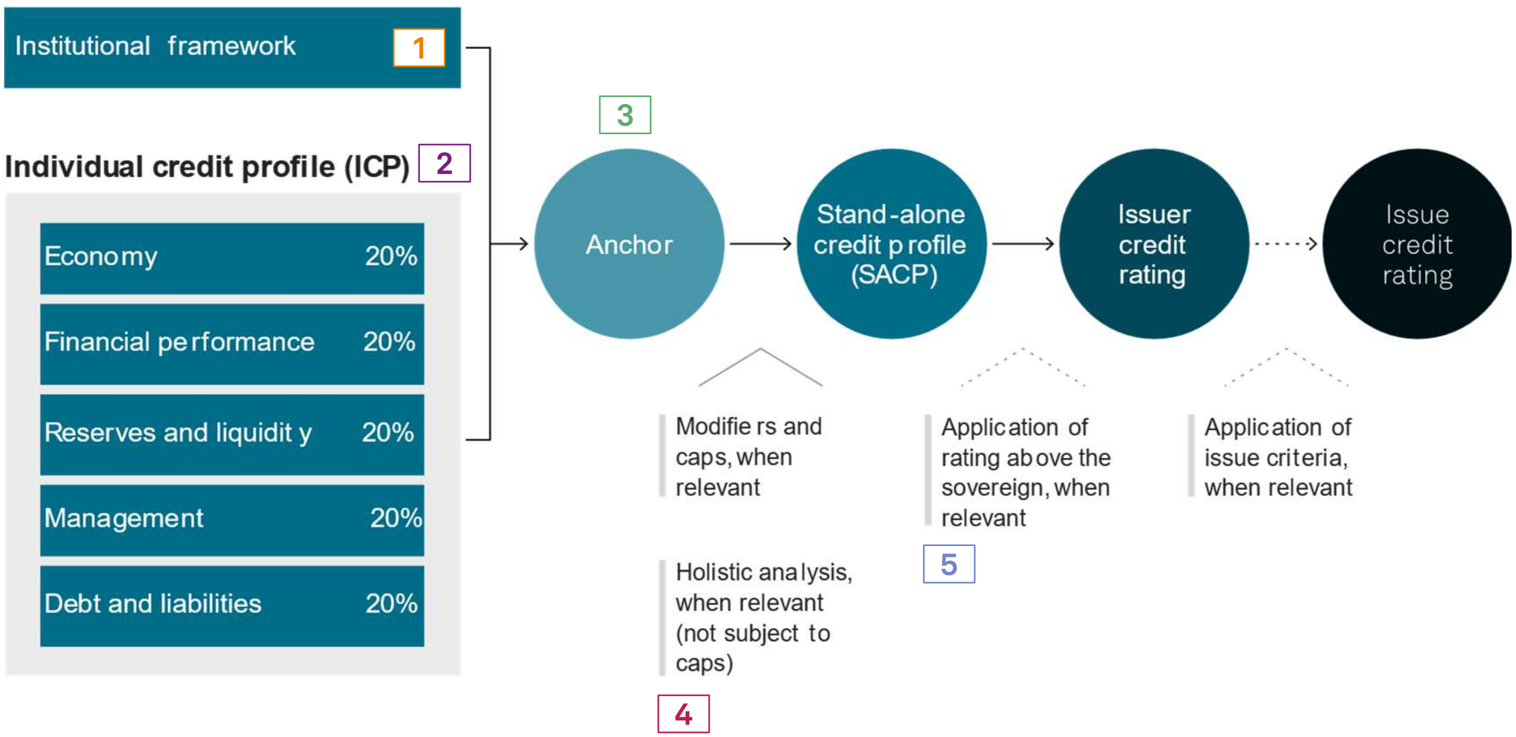
U.S Governments Criteria

Framework for ratings U.S. governments



We determine the issuer credit rating (ICR) by:

1 Assessing the Institutional Framework (IF)

2 Establishing the individual credit profile (ICP)

3 Combining IF and the ICP to establish the anchor

4 When relevant, adjusting the anchor for credit-specific modifiers and caps

5 When relevant, applying our methodology for rating U.S. governments above the sovereign

Institutional Framework

Predictability (25%)	**Revenue/expenditure balance and system support** (50%)	**Transparency and accountability** (25%)
The ability of a government to forecast its revenues and expenditures	The ability of a government to finance the services it provides, and the degree of ongoing and exceptional support from a higher-level government	The comparability of a government's relevant financial information

Framework For Establishing The Individual Credit Profile (ICP)

Step 1: Establish initial assessment

Economy 20%	Financial performance 20%	Reserves and liquidity 20%	Management 20%	Debt and liabilities 20%
State GSP % of U.S. (50%) State PCPI % of U.S. (50%)	**State** State budgetary performance over economic cycles	**State** Budget-based reserves	**State and local government** Budgeting practices (35%) Long-term planning (35%) Policies (30%)	**State and local government** Current cost for debt service and liabilities (50%) Net direct debt per capita (25%) Net pension liabilities per capita (25%)
Local government GCP % of U.S. (50%) County PCPI % of U.S. (50%)	**Local government** Three-year average operating result (%)	**Local government** Available reserves (%) of revenues		

Step 2: Apply qualitative adjustments

Economy	Financial performance	Reserves and liquidity	Management	Debt and liabilities
Local economic profile	Under or overstated operating results	Under or overstated reserves	Transparency and reporting	Under or overstated current costs
Economic volatility and concentration	Performance volatility	Projections suggest different assessment	Governance structure	Under or overstated long-term liabilities
Economic growth prospects	Projections suggest different assessment	Liquidity and contingent liability risks	Risk management, credit culture, and oversight	Projections suggest different assessment

Final factor assessments

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

Credit Trends: Maryland Municipalities and Counties

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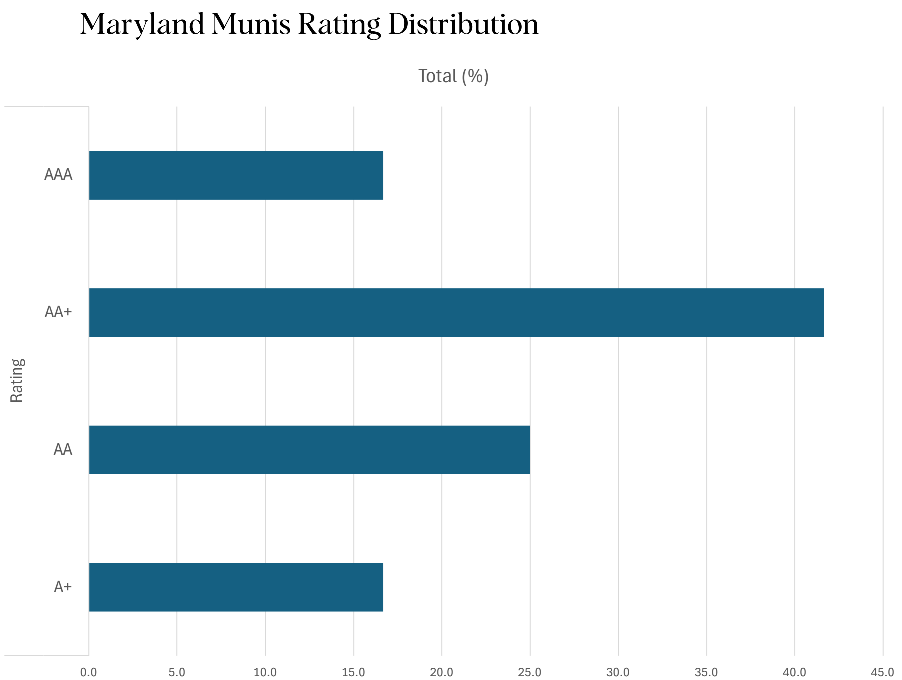
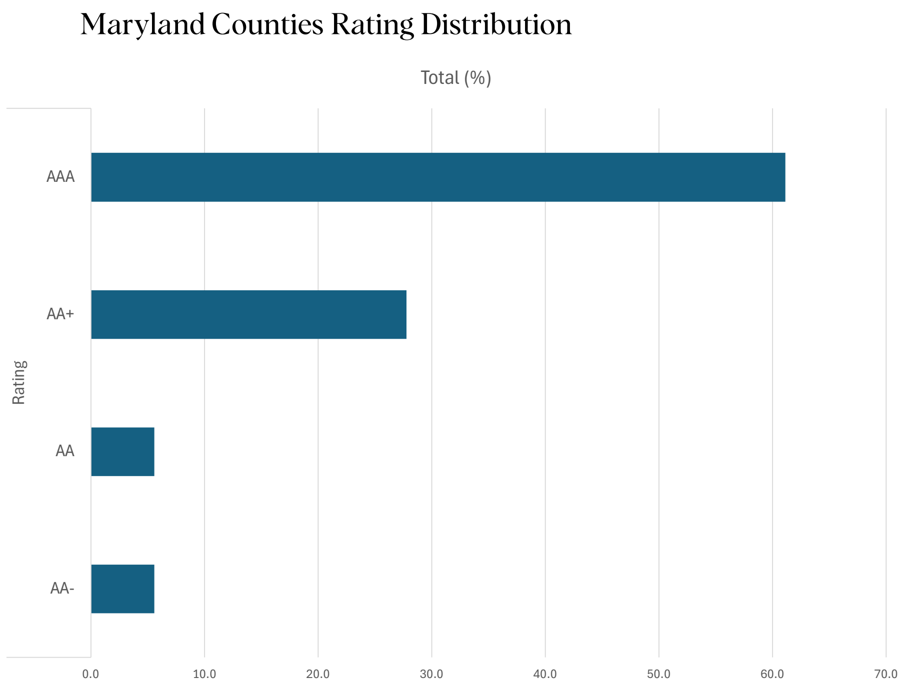
Maryland Portfolio: Rating Distribution





As of 12/1/2025

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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

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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 12/12025

Thank you

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