

Assured Guaranty Re International Ltd.

Ratings

Insurer Financial Strength

Assured Guaranty Re International Ltd .AA
 Assured Guaranty Re Overseas Ltd. AA
 Assured Guaranty Mortgage Insurance Company..... AA

Rating Outlook Stable

Analysts

Nathan E. Flanders
 1 212 908-0827
 nathan.flanders@fitchratings.com

Thomas J. Abruzzo
 1 212 908-0793
 thomas.abruzzo@fitchratings.com

Ralph R. Aurora
 1 212 908-0528
 ralph.aurora@fitchratings.com

Recent Developments

- Spin-off from ACE completed in April 2004.
- Redefined business platform focused on providing financial guaranty and mortgage reinsurance.
- Assumption of \$1.6 billion of health care exposure from AGC in September 2004.
- Novation of \$1.4 billion of single-name corporate credit default swap exposure in February 2005.
- 'AAA' insurer financial strength rating assigned to sister company, AGC, in April 2005.

Summary

Assured Guaranty Re International Ltd.'s (AGR) insurer financial strength (IFS) rating reflects the improved credit quality of the company's insured portfolio, sufficient excess capital, a more defined strategic focus, heightened corporate governance and tax-advantaged status. Concerns center on the consolidated company's ability to successfully execute its new business strategy in the increasingly competitive financial guaranty industry, AGR's limited track record as a dedicated financial guaranty reinsurance company, notable concentration to the health care sector and several highly capital-intensive mortgage reinsurance exposures.

AGR has undergone a significant and broadly positive transformation over the past year. Most notably, ACE Ltd. (ACE, rated 'A-'/'F2' by Fitch) sold 66% of its ownership interest in Assured Guaranty Ltd. (AGL), the parent company of AGR and Assured Guaranty Corp. (AGC, IFS rated 'AAA' by Fitch), by means of a public offering in April 2004. Concurrent with the public offering, AGR altered its business strategy to focus on providing financial guaranty reinsurance to 'AAA' rated primary financial guaranty insurance companies, including AGC. Certain lines of business that are inconsistent with traditional financial guaranty reinsurance, including trade credit insurance, title insurance, automobile loan residual value insurance, life, accident and health insurance and collateralized debt obligation (CDO) equity tranche insurance were unwound, run off or ceded to ACE subsidiaries at the time of AGR's public offering.

At the time of its initial public offering, AGR also assumed approximately \$1.9 billion of single-name corporate credit default swap exposure from AGC. Fitch views single-name credit default swap exposure to be inconsistent with the long-term business strategy of a highly rated financial guaranty insurance company. Positively, however, all but \$31.0 million of its remaining single-name credit default swap exposure had either been novated or run off by the first quarter of 2005, thereby eliminating the overwhelming majority of the credit, liquidity and counterparty risk related to this line of business. Fitch views this as an important step in AGR's reorganization as a dedicated financial guaranty reinsurance provider (All subsequent insured portfolio information included in this report is as of Dec. 31, 2004, although it has been adjusted to reflect first-quarter reductions in single-name credit default swap exposure).

In April 2005, AGC, AGR and Financial Security Assurance Inc. (FSA) signed a letter of intent to transfer substantially all FSA-ceded business to AGR from AGC. Under the agreement, which is subject to regulatory approval, AGR's net par in force will increase by approximately \$18.3 billion, adding additional diversification and

future earnings capacity to its insured portfolio. As Fitch assesses AGC and AGR's insured portfolios and capital support on an aggregate basis, the transfer is not expected to affect either company's IFS rating.

The combined AGR and AGC has added a number of highly qualified individuals to its board of directors, senior management and underwriting teams. Fitch views these additions favorably, as they have added increased oversight, strategic vision and business expertise to AGR and AGC's combined operations.

■ Strengths

- Improved credit quality insured portfolio.
- Sufficient excess capital.
- More defined strategic focus.
- Heightened corporate governance.
- Tax-advantaged status.

■ Concerns

- Ability of AGC and AGR to successfully execute their new business strategies in the increasingly competitive financial guaranty industry.
- Limited track record as a dedicated financial guaranty reinsurance company.
- Notable concentration to the health care sector.
- Several highly capital-intensive mortgage reinsurance exposures.

■ Company Overview

AGL

AGL is a Bermuda-based holding company established in connection with the public offering of AGC and AGR. ACE maintains a 34.0% ownership interest in AGL, while the remaining 66.0% ownership interest is held publicly or by employees. AGL conducts its financial guaranty insurance and reinsurance operations through AGC and AGR, respectively.

AGC

AGC is a Maryland-based financial guaranty insurance company, 100% owned by AGL. AGC's business platform has been redefined in order to focus on writing direct financial guaranty insurance and ceding a portion of its business to AGR for capital relief and risk-transfer purposes. As of Dec. 31, 2004, AGC's net par insured portfolio totaled \$74.0 billion. The 'AAA' IFS rating assigned to AGC is based on the company's high credit quality insured portfolio, reduced risk profile, excess capital,

Claims-Paying Resources

(\$Mil., Years Ended Dec. 31)

	2004	2003
Contingency Reserve*	—	—
Capital and Surplus*	596	560
Qualified Statutory Capital (QSC)*	596	560
Unearned Premium Reserve	186	233
Loss and Loss-Adjustment Expense Reserve	103	390
Policyholders' Reserves	885	1,183
Present Value Installment Premiums	132	90
Soft Capital Facilities	—	—
Total Claims-Paying Resources (CPR)	1,017	1,273
Net Par in Force*	20,019	9,314
Mortgage Reinsurance	2,325	2,201
Total Risk In Force	22,344	11,515
Financial Guaranty and Mortgage Reinsurance/QSC (:1)	37.5	16.6
Financial Guaranty and Mortgage Reinsurance/CPR (:1)	22.0	7.3

*Pro forma. Source: Assured Guaranty Re International Ltd.

earnings from existing business, improved corporate governance and a more diversified business platform.

AGR

AGR is a Bermuda-based financial guaranty reinsurance company, 100% owned by AGL. AGR provides tax-advantaged capital relief and risk-transfer capability to its sister company, AGC. Fitch anticipates that in addition to reinsuring AGC's future business, AGR may also reinsure portions of AGC's existing book of insured business in the future. AGR also provides reinsurance to other highly rated primary financial guaranty insurance companies and mortgage insurance companies.

As of Dec. 31, 2004, AGR's financial guaranty insurance (pro forma) and mortgage reinsurance exposures totaled \$20.0 billion and \$2.3 billion, respectively. As of the same date, AGR's insured liabilities were supported by \$596.0 million of pro forma qualified statutory capital.

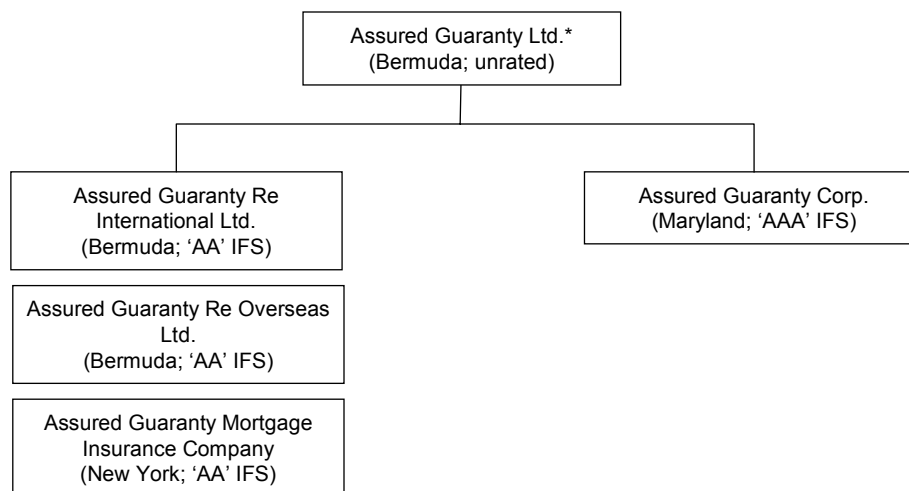
Assured Guaranty Re Overseas Ltd. (AGRO)

AGRO is a Bermuda-based financial guaranty insurance and mortgage reinsurance company, wholly-owned and 100% guaranteed by AGR. Based on the guarantee provided by AGR, AGRO's IFS is rated 'AA' by Fitch.

Assured Guaranty Mortgage Insurance Company (AGMIC)

AGMIC is a New York-based mortgage reinsurance company, wholly-owned and 100% guaranteed by

Organizational Structure



*66.0% publicly owned and 34.0% owned by Ace Ltd. (rated 'A-'/F2' by Fitch). IFS – Insurer financial strength. Note: Chart excludes certain intermediate holding companies. Source: Company reports.

AGR. Based on the guarantee provided by AGR, AGMIC's IFS is rated 'AA' by Fitch.

■ Competition

Under its revised business strategy, AGR provides capital relief and risk-transfer capacity to primary financial guaranty insurance companies, including its sister company, AGC. Given the interrelationship between AGC and AGR, AGR's future success will rely, to a large extent, on AGC's ability to write profitable and high credit quality new business as a primary financial guaranty insurance company. AGC's primary competitors include a number of larger and more established 'AAA' financial guaranty companies, including Ambac Assurance Corp. (Ambac), FSA, Financial Guaranty Insurance Company (FGIC) and MBIA Insurance Corp. (MBIA). In addition, more recent market entrants include XL Capital Assurance Inc. (XLCA) and CDC IXIS Financial Guaranty (CIFG).

AGR currently provides treaty and facultative reinsurance capacity to Ambac and FSA, as well as facultative reinsurance capacity to FGIC and XL Financial Assurance Ltd. (XLFA). The treaty reinsurance agreements with Ambac and FSA were renewed in 2005. However, Fitch anticipates that AGR's ability to provide reinsurance to the primary financial guarantors may be hindered in the future. Specifically, given AGR's relationship with AGC, other primary financial guaranty companies may be reluctant to share future business and underwriting

information with an indirect competitor, such as AGR. Furthermore, certain primary financial guarantors have taken steps to establish tax-advantaged, captive reinsurance subsidiaries of their own, including MBIA affiliate Channel Reinsurance Limited and XLCA affiliate XLFA.

Finally, current market conditions, including rising interest rates, decreased demand for financial guaranty insurance and increased competition within the primary financial guaranty sector suggest that primary financial guaranty insurance companies will have excess capital available to absorb future business and thus, be less likely to seek capital relief from third-party reinsurance companies.

■ Credit Quality

Fitch views AGR's financial guaranty reinsurance portfolio to be sufficiently diversified, with the exception of the outsized concentration to the health care sector. AGR's municipal finance and structured finance exposures maintained weighted-average ratings of 'A+' and 'AA-', respectively, based on AGR's internal ratings. Furthermore, on a combined basis, AGR maintained 0.7% below-investment-grade exposure and 1.3% unrated exposure. Under Fitch's capital-adequacy assessment, AGR's overall financial guaranty exposure currently attracts a capital charge of less than 2.0%.

The future growth of AGR's insured portfolio will rely, to a large extent, on the new business production of

Financial Guaranty Insured Portfolio

(\$ Mil., Pro Forma as of December 2004)

Asset Type	Net Par O/S	%	WAR*
General Obligations	2,957	14.8	'A+'
Health Care	2,713	13.5	'A'
Municipal Utilities	2,402	12.0	'A+'
Tax-Backed	1,911	9.5	'AA-'
Transportation	1,094	5.5	'A'
Investor-Owned Utilities	580	2.9	'BBB+'
Structured Municipal	325	1.6	'AAA'
Other Municipal	229	1.1	'BBB+'
Housing	201	1.0	'A+'
Higher Education	148	0.7	'A+'
Total Municipal	12,560	62.7	'A+'
MBS and Home Equity	3,158	15.8	'AA-'
Collateralized Debt Obligations	2,831	14.1	'AA+'
Commercial Receivables	584	2.9	'A-'
Other Structured Finance	455	2.3	'A'
Consumer Receivables	400	2.0	'BBB-'
Single-Name Credit Default Swaps**	31	0.2	'A+'
Total Structured Finance	7,459	37.3	'AA-'
Total	20,019	100.0	'A+'

*Assumes 'B' rating for all unrated exposures. ** Reflects the novation and run-off of single-name credit default swap exposure in the first quarter of 2005. O/S – Outstanding. WAR – Weighted-average rating. MBS – Mortgage-backed securities. Source: Assured Guaranty Re International Ltd.

AGC as well as the continued demand for third-party reinsurance from 'AAA' rated third-party financial guarantors. In addition, however, Fitch anticipates that AGC may cede portions of its existing book of insured business to AGR in order to manage capital adequacy requirements and single-risk limitations at AGC. Related to this, AGC and AGR entered into a binding letter of intent with FSA on April 6, 2005, agreeing to transfer \$18.3 billion of FSA's ceded business to AGR from AGC. This transfer is not expected to affect the IFS ratings of AGR or AGC.

International net par exposure totaled \$2.0 billion, or 10.0% of the total adjusted financial guaranty insured portfolio and was related to a number of asset types, including mortgage-backed and home equity exposures, commercial receivables, investor-owned utilities and transportation revenue bonds, among others. Fitch will monitor AGR's future expansion into the international sector given that international transactions typically exhibit less performance history and the potential for increased credit risk relative to domestic transactions.

AGR strives to manage its concentration risk and exposure to higher risk sectors by excluding certain names or industries with which it is uncomfortable from its ongoing reinsurance treaties. To date, exclusions have included certain airports, enhanced

equipment trust certificates (EETCs), CDOs and health care exposures.

Structured Finance

As of Dec. 31, 2004, AGR's structured finance portfolio totaled \$7.5 billion of net par exposure. AGR's structured finance portfolio was primarily composed of mortgage-backed and home equity exposures (\$3.2 billion, 15.8% of total net par), CDOs (\$2.8 billion, 14.1% of total net par) and consumer and commercial asset-backed securities (\$984.0 million, 4.9% of total net par). AGR has minimal EETC exposure (three mezzanine exposures totaling \$45.0 million of net par exposure as of Dec. 31, 2004), although two of these three transactions were added in the fourth quarter of 2004. The weighted-average credit quality of AGR's structured finance exposure was 'AA-' as of Dec. 31, 2004, with approximately 1.2% rated below investment grade and 2.9% unrated.

Single-Name Credit Default Swaps

In the first quarter of 2005, AGR entered into an agreement with a third party to novate approximately \$1.4 billion of single-name credit default exposure. This exposure had previously been ceded to AGR by AGC at the time of the public offering of AGL. AGR continues to retain \$31.0 million of single-name credit default swap exposure written against several investment-grade names, although the majority of this exposure runs off in 2005. AGR's management has indicated that it will assume no further single-name credit default swap business, and AGR's current IFS rating is, in part, dependent on this fact.

Municipal Finance

AGR's \$12.6 billion municipal finance portfolio was composed of general obligations (\$3.0 billion, 14.8% of total net par), health care (\$2.7 billion, 13.5% of total net par) and utilities (\$2.4 billion, 12.0% of total net par), among others. Municipal finance exposure was diversified by geographic location, with California (12.7% of municipal finance exposure), New York (9.8% of municipal finance exposure) and Texas (5.8% of municipal finance exposure) representing the three largest state issuers as of Dec. 31, 2004.

Health Care

While the majority of municipal finance exposures exhibit very low credit risk, the health care sector is of increasing credit concern, given the continued labor shortages, rising supply costs and increased competition from niche health care providers. AGR's health care exposure stood at \$2.7 billion of net par,

or 13.5% of its total adjusted insured portfolio, as of Dec. 31, 2004, reflecting the assumption of \$1.6 billion of health care exposure from AGC in September 2004. On a percentage basis, AGR's exposure to the health care sector exceeds the levels of other highly rated financial guarantors. Positively, the weighted-average credit quality of AGR's aggregate health care exposure was 'A' as of Dec. 31, 2004, and was not affected (positively or negatively) by the September 2004 assumption of health care exposure from AGC. The anticipated transfer of FSA-ceded business to AGR from AGC is expected to reduce AGR's health care exposure on a percentage basis. Fitch will continue to monitor AGR's participation within the health care sector as well as the performance of specific underlying credits. Fitch would view a continued reduction of AGR's health care exposure positively.

Mezzanine Exposure

Under certain existing reinsurance agreements, AGR has assumed a limited amount of layered loss exposure from primary financial guaranty insurance companies. These exposures represent subordinated (and in certain cases, first-loss), positions within the capital structure of the individual transactions, and as such, could exhibit lower recovery prospects than what is typically observed with respect to senior-most insured positions.

AGR's layered loss exposure totaled only \$183.0 million (0.9% of total net par) as of Dec. 31, 2004, and was related to investor-owned utilities, international project finance, automobile asset-backed securities, mortgage-backed and home equity and CDOs. Fitch views mezzanine exposures as atypical of the traditional business underwritten by a financial guaranty insurance company, given the potential for higher loss given default. Fitch will continue to monitor AGR's future participation, if any, within this sector to ensure that sufficient capital remains available to offset the increased credit risk of such exposures. At this point, however, it is not expected that AGR will assume further layered loss exposure other than limited exposure related to international project finance transactions underwritten by third-party financial guarantors.

Mortgage Reinsurance

In addition to financial guaranty reinsurance, AGR also writes mortgage reinsurance either directly or through one of its two subsidiaries, AGRO or AGMIC. As of Dec. 31, 2004, AGR's aggregate mortgage reinsurance exposure totaled \$2.3 billion, and was

Mortgage Reinsurance Portfolio

(\$ Mil., As of Dec. 30, 2004)

		%
Reinsurance Type		
Excess of Loss Reinsurance	2,232	96.0
Quota Share Reinsurance	93	4.0
Total	2,325	100.0
Geographic Diversification		
U.K.	1,382	59.4
United States	251	10.8
Ireland	371	16.0
Hong Kong	167	7.2
Australia	154	6.6
Total	2,325	100.0
Coverage Expiration		
2005	330	14.2
2006	226	9.7
2007	179	7.7
2008	497	21.4
2009	165	7.1
Beyond 2008	928	39.9
Total	2,325	100.0

Source: Assured Guaranty Re International Ltd.

composed of \$2.2 billion and \$93.2 million of excess of loss and quota share reinsurance, respectively. Mortgage reinsurance business is underwritten primarily in the U.S., U.K. and Australian markets. With respect to international mortgage reinsurance transactions, AGR is exposed to an element of foreign currency risk. At present, AGR does not fully hedge this potential currency risk, instead awaiting a scenario that would make paid claims more likely.

Fitch remains comfortable with the majority of AGR's mortgage reinsurance exposure, particularly given that the exposures have been executed primarily in excess of loss form, whereby mortgage defaults would have to exceed prespecified thresholds before AGR would be obligated to pay claims. To date, AGR has incurred minimal losses related to its mortgage reinsurance business. Nevertheless, there are several excess of loss transactions that Fitch deems to be highly capital-intensive, given the amount of subordination or credit enhancement supporting AGR's exposure as well as their mezzanine nature in the overall capital structure of the transactions. Currently, Fitch assigns a capital charge of approximately 9.0% to AGR's overall mortgage reinsurance exposure. However, the majority of this capital charge is related to a handful of mezzanine transactions with very thin layers of underlying credit enhancement. Although not affecting AGR's IFS rating at present, additional exposures of this nature could reduce or eliminate AGR's current excess capital position.

AGR has indicated that all future mortgage reinsurance business will be written on an excess of loss basis, while the existing \$93.2 million of quota share reinsurance is expected to run off by 2006, with the exception of \$6.9 million of exposure running off between 2011 and 2013. AGR recently combined its mortgage reinsurance operations with its mortgage-backed security financial guaranty operations in order to ensure that consistent underwriting is applied across these lines of business.

■ Financial Performance

As 2004 was a year of reorganization for AGR, financial performance figures are not yet wholly meaningful. In particular, the assumption of significant amounts of business from AGC, combined with the cession of other lines of business to ACE subsidiaries and other third parties, has created temporary distortions in AGR's reported financial statements.

Going forward, Fitch will look for AGR to produce the type of stable and predictable levels of financial growth that are associated with highly rated financial guaranty insurance and reinsurance companies, further aided by AGR's tax-advantaged status as a Bermuda-based company. Fitch cautions, however, that while increased underwriting volume by AGC will create reinsurance opportunities for AGR, these may be temporarily offset if AGR is unable to maintain its reinsurance relationships with other primary financial guaranty insurance companies.

■ Liquidity

Up until the novation of \$1.4 billion of AGR's single-name credit default swap exposure in February 2005, this line of business posed the most significant liquidity risk to AGR. At present, AGR remains exposed to only \$31.0 million of single-name credit default swap exposure, and it is related to several investment-grade names with short remaining terms. As such, Fitch views the liquidity risk of AGR's overall insured portfolio to be sufficiently managed at present.

■ Capitalization

Fitch has performed a detailed review of AGR's insured portfolio and has modeled losses with respect to AGR's various insured exposures. Despite the high-risk nature of several components of AGR's insured portfolio, most notably including health care exposures and certain mortgage reinsurance transactions, Fitch views AGR as having sufficient excess capital relative to the risk of its insured portfolio in order to support its current IFS rating. AGR's financial guaranty

reinsurance and mortgage reinsurance exposure attract capital charges of approximately 2.0% and 9.0%, respectively, under Fitch's capital adequacy assessment, reflecting the more capital-intensive nature of certain AGR mortgage reinsurance transactions relative to the overall financial guaranty book of business. AGR's excess capital position is expected to decrease in the future as the company absorbs more business from AGC.

As of Dec. 31, 2004, AGR's pro forma qualified statutory capital totaled \$596.0 million against aggregate financial guaranty and mortgage reinsurance exposure of \$22.3 billion. AGR's operating leverage ratio of 37.5 times (x) financial guaranty and mortgage reinsurance exposure is conservative relative to industry standards. Fitch anticipates that as AGC grows its primary financial guaranty insurance platform, and thus cedes more business to AGR, AGR's operating leverage will increase commensurately.

Soft Capital

At present, AGR benefits from no formal soft capital facilities. Nevertheless, AGR remains well-capitalized based on its current level of hard capital support.

Reinsurance

AGR remains exposed to counterparty risk related to several exposures ceded to ACE subsidiaries at the time of AGR's public offering. Specifically, AGR ceded approximately \$260.0 million of exposure to ACE subsidiaries related to one automobile residual value insurance transaction and one life, accident and health insurance transaction. Fitch has taken this counterparty risk into consideration when evaluating AGR's capital adequacy.

Long-Term Debt and Dividends

AGR has no long-term debt outstanding, although AGR's parent company, AGL, guarantees \$200.0 million of long-term debt issued by Assured Guaranty U.S. Holdings Inc. in May 2004. In order to fund debt service, shareholder dividends and other holding company expenses, AGR is expected to make dividends to its parent company on an annual basis, of approximately \$12.0 million–\$16.0 million. In 2004, AGR also declared a \$25 million dividend to fund share-repurchase activity. Fitch will monitor AGR's future dividend plans to ensure that they do not jeopardize AGR's capital adequacy or current IFS rating.

Key Financial Indicators — Assured Guaranty Re International Ltd.

(\$ Mil., Years Ended Dec. 31)

	2004*	2003	%	C,G
Financial Data (GAAP)				
Gross Par Insured	16,363	2,701	505.7	C
Domestic Municipal	7,922	1,534	416.3	C
Domestic Nonmunicipal	6,363	731	770.1	C
International	2,077	436	376.7	C
% Nonmunicipal and International	51.6	43.2	19.4	C
Summary Income Statement (GAAP)				
Gross Premiums Written	82.9	139.5	(40.6)	C
Adjusted Gross Premiums Written (1)	118.4	65.0	82.1	C
Net Premiums Written	17.8	232.9	(92.3)	C
Net Premiums Earned	64.0	133.5	(52.0)	C
Net Realized Gains (Losses) on Investments	11.0	3.4	223.5	C
Net Realized and Unrealized Gains (Losses) on Derivatives	2.1	55.6	96.2	C
Other	0.6	1.7	(68.2)	C
Insurance Revenues	66.7	190.8	(65.0)	C
Financial Services Revenue (18)	0.0	0.0	0.0	C
Net Investment Income	42.4	49.0	(13.5)	C
Other Revenues	10.9	3.4	221.4	C
Total Revenues	120.2	243.2	(50.6)	C
Total Underwriting Expenses	27.7	15.9	74.3	C
Loss and LAE	(32.4)	89.6	(136.2)	C
Operating Expense	12.5	29.4	(57.3)	C
Total Insurance Expense	7.8	134.8	(94.2)	C
Interest Expense	0.0	0.0	0.0	C
Other Expense	0.0	0.0	0.0	C
Nonrecurring Items	0.0	0.0	0.0	C
Total Expense	7.8	134.8	(94.2)	C
Income Before Taxes	112.3	108.4	3.6	C
Dividends to Preferred Stockholders	13.0	0.0	N.M.	C
Net Income	88.6	115.7	(23.4)	C
Adjusted Net Income (19)	86.5	60.1	43.9	C
Summary Balance Sheet (GAAP)				
Total Investments and Cash	892.4	1,015.9	(12.2)	G
Reinsurance Assets or Recoverables	103.2	136.7	(24.5)	G
Derivative Assets	14.3	12.1	18.1	G
Deferred Acquisition Costs	46.0	28.3	62.6	G
Accrued Investment Income	7.4	9.7	(23.9)	G
Other Assets	83.9	173.3	(51.6)	G
Total Assets	1,147.3	1,376.1	(16.6)	G
Unearned Premiums	195.5	240.4	(18.7)	G
Loss and Loss Adjustment Expense Reserves	112.3	416.3	(73.0)	G
Guaranteed Investment Contract Obligations	0.0	0.0	0.0	G
Long-Term Debt	0.0	0.0	0.0	G
Derivative Liabilities	0.0	0.0	0.0	G
Accrued Interest Payable	0.0	0.0	0.0	G
Other Liabilities	146.5	87.1	68.3	G
Total Liabilities	454.3	743.8	(38.9)	G
Shareholders' Equity				
Preferred Stock	0.0	0.0	0.0	G
Total Shareholders' Equity	693.0	632.3	9.6	G
Total Liabilities and Shareholders' Equity	1,147.3	1,376.1	(16.6)	G
Cash Flow Information (GAAP)				
Cash Flow from Operations	(95.1)	12.3	(875.3)	C
Cash Flow from Investing	101.6	15.5	557.4	C
Cash Flow from Financing	(12.7)	(24.0)	N.M.	C
Net Change in Cash	(6.2)	3.8	(265.0)	C

See Notes and Definitions, page 9. Continued on next page.

Key Financial Indicators — Assured Guaranty Re International Ltd. (continued)

(\$ Mil., Years Ended Dec. 31)

	2004*	2003	%	C,G
Insured Portfolio				
Gross Par Outstanding	26,695	15,827	68.7	G
Net Par Outstanding	20,019	9,125	119.4	G
Gross P&I Outstanding	35,393	19,343	83.0	G
Net P&I Outstanding	28,717	12,641	127.2	G
Leverage Ratios				
Net Par/Shareholders' Equity (:1)	28.9	14.4	100.7	G
Net P&I/Shareholders' Equity (:1)	41.4	20.0	107.0	G
% of Total Revenue				
Net Premiums Earned	53.3	54.9	—	—
Net Investment Income	35.3	20.2	—	—
Net Realized Gains (Losses) on Investments	9.2	1.4	—	—
Net Realized and Unrealized Gains (Losses) on Derivatives	1.8	22.8	—	—
Financial Services	0.0	0.0	—	—
Other Revenues	0.5	1.4	—	—
Ratios (GAAP) (%)				
GAAP Loss and LAE Ratio (20)	(50.6)	67.1	—	—
GAAP Expense Ratio (21)	0.7	33.9	—	—
GAAP Combined Ratio (22)	(49.9)	101.0	—	—
Net Investment Yield (14)	4.9	4.8	—	—
Return on Equity (23)	13.4	19.5	—	—
Financial Leverage (24)	0.0	0.0	—	—

See Notes and Definitions, page 9.

Notes and Definitions for Key Financial Indicators, Pages 7–8

*Pro forma figures, reflecting novation and run-off of single-name credit default swap exposure in the first quarter of 2005. (1) Upfront premiums plus the estimated present value of future installment premiums for policies issued during the period. (2) After investment expenses, before realized capital gains or losses. (3) Before ceding commission income. (4) Net of ceding commission income. (5) Includes LAE incurred. (6) Net of allocations to the contingency reserve and effect of tax and loss bonds. (7) Total underwriting expenses divided by gross par insured. (8) Net operating expenses divided by net premiums written. (9) Losses incurred divided by premiums earned. (10) Net expense ratio plus loss ratio. (11) Dividends to stockholders divided by adjusted net income. (12) Policyholders' surplus plus contingency reserve. (13) Net investment income divided by average invested assets. (14) Net investment yield using the taxable equivalent of tax-exempt income and excluding certain nonincome-producing assets. (15) Adjusted net income divided by average policyholders' surplus. (16) Net income divided by average qualified statutory capital. (17) Before reinsurance. (18) Includes interest from investment and payment agreements less interest expenses from investment and payment agreements. (19) GAAP net income excluding change in fair value of derivatives. (20) GAAP loss and LAE divided by GAAP net premiums earned. (21) GAAP operating expenses divided by GAAP net premiums written. (22) GAAP Loss and LAE ratio plus GAAP expense ratio. (23) GAAP net income divided by average stockholders' equity. (24) Debt outstanding divided by total capitalization.

C – Percentage change between Sept. 30, 2004, and Sept. 30, 2003. G – Compound annual growth rate over the period shown. SAP – Statutory accounting practices. LAE – Loss-adjustment expenses. P&I – Principal and interest. GAAP – Generally accepted accounting principles. N.R. – Not reported. N.M. – Not meaningful. N.A. – Not available. Note: Net par outstanding and net principal and interest are net of intercompany cessions. Numbers may not add due to rounding.

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