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ENDURING FINANCIAL STRENGTHSM

Assured Guaranty Re Ltd.
Financial Supplement

THIRD QUARTER 2008
SEPTEMBER 30, 2008



Assured Guaranty Re Ltd. Financial Supplement Third Quarter Ended September 30, 2008

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This supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. with the Securities and Exchange Commission, including our 10-Q's dated March 31, 2007, June 30, 2007, September 30, 2007, March 31, 2008 and June 20, 2008 and our 10-K for the year ended December 31, 2007.

Some amounts in this Financial Supplement may not add due to rounding.

Cautionary Statement Regarding Forward-Looking Statements:

Any forward-looking statements made in this supplement reflect Assured Guaranty Re Ltd.'s ("Assured" or "the Company") current views with respect to future events and financial performance and are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Such statements involve risks and uncertainties that may cause actual results to differ materially from those set forth in these statements. For example, the Company's forward looking statements and statements regarding losses, pricing, ratings and capital adequacy could be affected by many events. These events include a significant reduction in the amount of reinsurance ceded by one or more of our principal ceding companies, rating agency action such as a ratings downgrade, difficulties with the execution of the Company's business strategy, contract cancellations, developments or volatility in the world's financial and capital markets, more severe or frequent losses associated with products affecting the adequacy of the Company's loss reserves, changes in regulation or tax laws, governmental actions, natural catastrophes, the Company's dependence on customers, decreased demand or increased competition, loss of key personnel, technological developments, the effects of mergers, acquisitions and divestitures, changes in accounting policies or practices, changes in general economic conditions, other risks and uncertainties that have not been identified at this time, management's response to these factors, and other risk factors identified in Assured Guaranty Ltd.'s filings with the Securities and Exchange Commission. Readers are cautioned not to place undue reliance on these forward looking statements, which speak only as of the dates on which they are made. The Company undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise.

Assured Guaranty Re Ltd.

Consolidated Income Statements

(dollars in millions)

	Quarter Ended		% Change versus 3Q-07	Nine Months Ended		% Change versus YTD 2007
	September 30, 2008	2007		September 30, 2008	2007	
Gross written premiums (GWP) analysis:						
Present value of financial guaranty and credit derivative GWP (PVP) ^a						
AGC	\$ 19.9	\$ 28.5	(30)%	\$ 161.8	\$ 64.6	150%
Third parties	57.2	32.8	74%	116.1	77.1	51%
Total PVP	77.1	61.3	26%	277.9	141.7	96%
Less: PVP of credit derivatives	1.1	17.0	(94)%	46.0	29.7	55%
PVP of financial guaranty GWP	76.0	44.3	72%	231.9	112.0	107%
Less: Financial guaranty installment premium PVP	14.5	19.7	(26)%	33.1	52.0	(36)%
Total: Financial guaranty upfront GWP	61.5	24.6	150%	198.8	60.0	231%
Plus: Upfront premium due to commutation	(20.8)	-	NM	(20.8)	-	NM
Plus: Financial guaranty installment GWP	18.3	12.7	44%	51.7	36.0	44%
Total financial guaranty GWP	59.0	37.3	58%	229.7	96.0	139%
Plus: Mortgage guaranty segment GWP	0.2	1.4	(86)%	0.7	2.9	(76)%
Plus: Other segment GWP	-	-	0%	3.3	3.2	3%
Total GWP per income statement	\$ 59.2	\$ 38.7	53%	\$ 233.7	\$ 102.1	129%
Revenues						
Gross written premiums	\$ 59.2	\$ 38.7	53%	\$ 233.7	\$ 102.1	129%
Net written premiums	58.8	38.3	54%	229.7	98.2	134%
Net earned premiums	57.8	25.1	130%	121.2	69.5	74%
Net investment income	23.4	16.0	46%	65.9	47.4	39%
Realized gains and other settlements on credit derivatives	6.3	3.9	62%	18.2	13.1	39%
Incurred losses on credit derivatives	(3.9)	(0.8)	388%	(8.8)	(2.1)	319%
Total revenues	83.6	44.2	89%	196.5	127.9	54%
Expenses						
Loss and loss adjustment expenses (recoveries)	37.3	0.8	NM	83.5	9.5	NM
Profit commission expense	(1.4)	1.1	NM	0.4	4.0	(90)%
Acquisition costs	14.0	6.9	103%	30.9	20.6	50%
Other operating expenses	4.3	3.0	43%	11.7	9.0	30%
Total expenses	54.1	11.8	358%	126.4	43.0	194%
Income before provision (benefit) for income taxes	29.5	32.4	(9)%	70.1	84.9	(17)%
Total provision (benefit) for income taxes	-	(5.0)	NM	1.7	(6.7)	NM
Operating income ^b	29.5	\$ 37.4	(21)%	68.4	\$ 91.6	(25)%
Plus: After-tax realized losses on investments	(12.8)	(0.4)	NM	(13.0)	(1.4)	NM
Plus: After-tax unrealized (losses) gains on credit derivatives	(21.1)	(55.2)	(62)%	38.6	(62.9)	NM
Net (loss) income	\$ (4.4)	\$ (18.1)	NM	\$ 94.0	\$ 27.2	246%

Note: Please refer to endnotes for explanation of non-GAAP financial measures [PVP (a), operating income (b)].

NM = Not meaningful

Assured Guaranty Re Ltd.

Consolidated Balance Sheets

(dollars in millions)

	As of	
	September 30, 2008	December 31, 2007
Assets		
Fixed maturity securities, at fair value	\$ 1,667.9	\$ 1,275.7
Short-term investments, at cost which approximates fair value	259.7	498.6
Total investments	1,927.6	1,774.2
Cash and cash equivalents	0.3	0.4
Accrued investment income	14.5	9.9
Deferred acquisition costs	214.4	180.4
Premiums receivable	56.0	27.0
Prepaid reinsurance premiums	1.5	0.6
Reinsurance recoverable on ceded losses	2.1	3.5
Deferred tax asset	21.1	16.1
Credit derivative assets	23.4	0.9
Funds held under reinsurance contracts	5.1	5.1
Salvage recoverable	5.3	2.3
Receivable for securities sold	30.7	2.7
Other assets	6.9	6.6
Total assets	\$ 2,308.8	\$ 2,029.9
Liabilities and shareholder's equity		
Liabilities		
Unearned premium reserves	\$ 734.1	\$ 624.8
Reserves for losses and loss adjustment expenses	85.6	70.2
Profit commissions payable	5.0	18.7
Reinsurance balances payable	12.6	1.3
Funds held by Company under reinsurance contracts	29.2	25.1
Credit derivative liabilities	137.1	144.6
Payables for securities purchased	12.0	-
Other liabilities	16.5	22.3
Total liabilities	1,032.0	907.0
Shareholder's equity		
Common stock	1.4	1.4
Additional paid-in capital	856.6	706.6
Retained earnings	476.4	398.3
Accumulated other comprehensive (loss) income	(57.6)	16.6
Total shareholder's equity	1,276.8	1,122.9
Total liabilities and shareholder's equity	\$ 2,308.8	\$ 2,029.9
Book value	\$ 1,276.8	\$ 1,122.9
Plus: Net unearned premium reserve, after tax ¹	725.9	616.5
Plus: Net unearned revenue on credit derivatives, after tax ²	7.2	4.2
Plus: Net present value of estimated future installment premiums in-force, after tax ^d	359.2	359.9
Less: Deferred acquisition costs, after tax	213.8	179.7
Adjusted book value^c	\$ 2,155.2	\$ 1,923.8

1. Unearned premium reserve less pre-paid reinsurance premiums, after tax.

2. Unearned revenue less pre-paid reinsurance premiums on credit derivatives, after tax.

Note: Please refer to endnotes for explanation of non-GAAP financial measures [adjusted book value (c), and net present value of estimated future installment premiums in force (d)].

Assured Guaranty Re Ltd.

Financial Guaranty Profile (1 of 3)

(dollars in millions)

Sector:	Gross Par Written		As of September 30, 2008:		
	3Q 2008	9 Months 2008	Net Par Outstanding	%	Avg. Rating ¹
U.S. public finance					
General obligation	\$ 967	\$ 3,693	\$ 17,765	15.4%	A+
Tax backed	672	2,960	16,417	14.2%	A+
Municipal utilities	497	1,882	9,538	8.3%	A+
Healthcare	500	1,876	7,446	6.5%	A+
Transportation	491	1,616	7,362	6.4%	A+
Higher education	101	456	3,230	2.8%	A+
Housing	-	54	1,751	1.5%	A+
Investor-owned utilities	(8)	35	1,390	1.2%	BBB+
Other public finance	325	465	2,903	2.5%	A
Total U.S. public finance	<u>\$ 3,547</u>	<u>\$ 13,038</u>	<u>\$ 67,802</u>	<u>58.8%</u>	<u>A+</u>
U.S. structured finance					
Pooled corporate obligations	\$ 3	\$ 597	\$ 8,499	7.4%	AA+
Prime mortgage-backed and home equity	-	860	3,344	2.9%	BBB+
Consumer receivables	56	751	3,056	2.6%	A+
Commercial receivables	48	158	2,957	2.6%	A-
Subprime mortgage-backed and home equity	-	54	1,487	1.3%	AA-
Commercial mortgage-backed securities	-	-	1,345	1.2%	AA+
Insurance securitizations	-	-	1,338	1.2%	AA-
Structured credit	350	550	1,113	1.0%	A-
Other structured finance	-	34	327	0.3%	A+
Total U.S. structured finance	<u>\$ 456</u>	<u>\$ 3,004</u>	<u>\$ 23,465</u>	<u>20.3%</u>	<u>AA-</u>
International					
Regulated utilities	\$ 761	\$ 1,129	\$ 6,957	6.0%	A-
Infrastructure and pooled infrastructure	313	495	6,358	5.5%	A+
Mortgage-backed and home equity	-	1,441	3,512	3.0%	AAA
Pooled corporate obligations	-	160	2,646	2.3%	AAA
Public finance	71	71	1,267	1.1%	A
Commercial receivables	-	6	793	0.7%	A-
Future flow	-	130	704	0.6%	BBB
Insurance securitizations	-	-	673	0.6%	B+
Commercial mortgage-backed securities	-	-	458	0.4%	A+
Structured credit	(24)	-	430	0.4%	A-
Consumer receivables	-	152	93	0.1%	AAA
Other international structured finance	-	-	181	0.2%	AAA
Total international	<u>\$ 1,122</u>	<u>\$ 3,585</u>	<u>\$ 24,072</u>	<u>20.9%</u>	<u>A+</u>
Total	<u>\$ 5,125</u>	<u>\$ 19,626</u>	<u>\$ 115,340</u>	<u>100.0%</u>	<u>A+</u>
Mortgage guaranty risk in force		\$ -	\$ 702	NA	NA

1. Assured's internal rating. Assured's scale is comparable to that of the nationally recognized rating agencies. The super senior category, which is not generally used by rating agencies, is used by the Company in instances where Assured's AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to Assured's exposure or (2) Assured's exposure benefits from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured's attachment point to be materially above the AAA attachment point.

Please refer to Glossary for description of selected types of U.S. public finance, U.S. structured finance and International obligations that the Company insures and reinsures.

Assured Guaranty Re Ltd.

Financial Guaranty Profile (2 of 3)

(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

Ratings ¹ :	September 30, 2008		December 31, 2007	
	Net Par		Net Par	
	Outstanding	%	Outstanding	%
Super senior	\$ 8,875	7.7%	\$ 9,522	9.0%
AAA	13,864	12.0%	14,418	13.6%
AA	33,334	28.9%	29,545	27.8%
A	37,632	32.6%	33,779	31.8%
BBB	19,333	16.8%	18,067	17.0%
Below investment grade	2,302	2.0%	923	0.9%
Total exposures	<u>\$ 115,340</u>	<u>100.0%</u>	<u>\$ 106,253</u>	<u>100.0%</u>

Distribution of Pooled Corporate Obligations by Year of Insured as of September 30, 2008

Year insured:	Net Par	
	Outstanding	%
2004 and prior	\$ 808	7.2%
2005	1,926	17.3%
2006	4,177	37.5%
2007	3,529	31.7%
2008 YTD	705	6.3%
	<u>\$ 11,145</u>	<u>100.0%</u>

Distribution by Ratings of Pooled Corporate Obligations

Ratings ¹ :	September 30, 2008		December 31, 2007	
	Net Par		Net Par	
	Outstanding	%	Outstanding	%
Super senior	\$ 2,621	23.5%	\$ 3,326	31.8%
AAA	6,922	62.1%	5,815	55.6%
AA	1,287	11.5%	1,172	11.2%
A	226	2.0%	106	1.0%
BBB	75	0.7%	16	0.2%
Below investment grade	14	0.1%	19	0.2%
Total exposures	<u>\$ 11,145</u>	<u>100.0%</u>	<u>\$ 10,455</u>	<u>100.0%</u>

1. Assured's internal rating. Assured's scale is comparable to that of the nationally recognized rating agencies. The super senior category, which is not generally used by rating agencies, is used by the Company in instances where Assured's AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to Assured's exposure or (2) Assured's exposure benefits from a different form of credit enhancement that would pay any claims first in the event that any of the exposures incurs a loss, and such credit enhancement, in management's opinion, causes Assured's attachment point to be materially above the AAA attachment point.

Assured Guaranty Re Ltd.

Financial Guaranty Profile (3 of 3)

(dollars in millions)

Geographic Distribution of Financial Guaranty Portfolio as of September 30, 2008

U.S.:	Net Par	
	Outstanding	%
California	\$ 10,686	9.3%
New York	7,059	6.1%
Florida	5,610	4.9%
Texas	4,210	3.7%
Illinois	3,441	3.0%
Massachusetts	3,022	2.6%
Pennsylvania	2,815	2.4%
New Jersey	2,262	2.0%
Michigan	2,122	1.8%
Washington	2,120	1.8%
Other states	24,457	21.2%
Mortgage and structured (multiple states)	23,465	20.3%
Total U.S.	\$ 91,267	79.1%

International:	Net Par	
	Outstanding	%
United Kingdom	\$ 14,753	12.8%
Australia	2,170	1.9%
Germany	1,028	0.9%
Italy	755	0.7%
Ireland	646	0.6%
Other	4,719	4.1%
Total International	\$ 24,072	20.9%

Total exposures	\$ 115,340	100.0%
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Assured Guaranty Re Ltd.

Capital and Claims Paying Resources ¹

(dollars in millions)

	As of:	
	September 30, 2008	December 31, 2007
Statutory surplus and reserves		
Unearned premium reserve ²	\$ 740	\$ 629
Contingency reserve	-	-
Policyholders' surplus	1,250	1,097
Loss and loss adjustment expense reserves ³	44	18
Total policyholders' surplus & reserves	\$ 2,034	\$ 1,744
Claims paying resources		
Policyholders' surplus	\$ 1,250	\$ 1,097
Contingency reserve	-	-
Qualified statutory capital	1,250	1,097
Unearned premium reserve ²	740	629
Loss and loss adjustment expense reserves ³	44	18
Total policyholders' surplus & reserves	2,034	1,744
Present value of installment premium ^d	363	366
Standby line of credit/stop loss	200	200
Total claims paying resources	\$ 2,597	\$ 2,310
Net par insured outstanding	\$ 115,340	\$ 106,253
Net debt service outstanding	\$ 191,061	\$ 174,173
Ratios:		
Net par insured to statutory capital	92:1	97:1
Capital ratio ⁴	153:1	159:1
Financial resources ratio ⁵	74:1	75:1

1. Assured Guaranty Re Ltd. (AG Re) numbers are the Company's estimate of U.S. statutory as the company files Bermuda statutory financial statements.

2. Unearned premium reserve for AG Re is U.S. GAAP based, includes unearned revenues on credit derivatives and is net of prepaid reinsurance premiums.

3. Loss and loss adjustment reserves for AG Re are U.S. GAAP based, includes loss reserves for credit derivatives and is net of reinsurance recoverable and portfolio reserves.

4. The capital ratio is calculated by dividing net par and interest insured by qualified statutory capital.

5. The financial resources ratio is calculated by dividing net par and interest insured by total claims paying resources.

Note: Please refer to endnotes for explanation of non-GAAP financial measures [net present value of estimated future installment premiums in force (d)].

Assured Guaranty Re Ltd.

Loss and LAE Reserves by Segment and Type of Reserve
(dollars in millions)

	As of September 30, 2008	As of December 31, 2007
Loss and LAE reserves by segment:		
Financial guaranty direct	\$ 8.8	\$ 14.8
Financial guaranty reinsurance	71.6	49.3
Mortgage guaranty	3.4	2.9
Other	1.8	3.2
Total	\$ 85.6	\$ 70.2
Plus: Loss and LAE reserves on credit derivatives	13.9	4.9
Total loss and LAE reserves, including credit derivatives	\$ 99.5	\$ 75.1
	As of September 30, 2008	As of December 31, 2007
Loss and LAE reserves by type:		
Case	\$ 43.3	\$ 18.2
IBNR	1.1	2.4
Portfolio	41.2	49.6
Total	\$ 85.6	\$ 70.2
Plus: Loss and LAE reserves on credit derivatives	13.9	4.9
Total loss and LAE reserves, including credit derivatives	\$ 99.5	\$ 75.1

Assured Guaranty Re Ltd.

Investment Portfolio
As of September 30, 2008
(dollars in millions)

	Amortized Cost	Pre-Tax Book Yield	After-Tax Book Yield	Fair Value	Annualized Investment Income
Fixed maturity securities available for sale:					
U.S. Treasury securities and obligations					
of U.S. government agencies	\$ 128.0	4.3%	4.1%	\$ 135.3	\$ 5.5
Agency obligations	241.4	4.9%	4.8%	246.1	11.8
Foreign government securities	0.2	7.3%	7.3%	0.2	0.0
Obligations of states and political subdivisions	75.4	4.5%	4.3%	70.9	3.4
Insured obligations of state and political subdivisions ¹	33.8	4.5%	4.2%	30.9	1.5
Corporate securities	188.9	5.9%	5.6%	169.4	11.1
Mortgage-backed securities ² :					
Pass-throughs	936.1	6.0%	5.8%	894.5	56.0
PACs	54.1	4.9%	4.7%	51.7	2.7
Asset-backed securities ³	63.7	4.8%	4.7%	61.9	3.1
Preferred stock	7.3	8.0%	8.0%	7.0	0.6
Total fixed maturity securities available for sale	\$ 1,728.8	5.5%	5.3%	\$ 1,667.9	\$ 95.6
Short-term investments	259.7	1.3%	1.3%	259.7	3.5
Total investments	\$ 1,988.5	5.0%	4.8%	\$ 1,927.6	\$ 99.0

Ratings ⁴:

	Fair Value	%
Treasury and government obligations	\$ 135.3	8.1%
Agency obligations	246.1	14.8%
AAA/Aaa	1,063.0	63.7%
AA/Aa	124.8	7.5%
A/A	96.8	5.8%
BBB	0.8	-
Below Investment Grade	1.1	0.1%
Total	\$ 1,667.9	100.0%

Duration of investment portfolio (in years):

4.1

1. Reflects obligations of state and local political subdivisions that have been insured by other financial guarantors. The underlying ratings of these bonds average A+.

2. \$2.5 million is U.S. subprime RMBS, which has an average rating of AAA.

3. Contains no CDOs of ABS.

4. Ratings are represented by the lower of the Moody's Investor Services and Standard & Poor's classifications.

Assured Guaranty Re Ltd.

Summary Financial and Statistical Data

(dollars in millions)

	Year Ended December 31,					
	9 Months 2008	2007	2006	2005	2004	2003
Claims Paying Resources ¹						
Policyholders' surplus	\$ 1,249.5	\$ 1,097.2	\$ 740.7	\$ 690.8	\$ 596.0	\$ 560.0
Contingency reserve	-	-	-	-	-	-
Statutory capital	1,249.5	1,097.2	740.7	690.8	596.0	560.0
Unearned premium reserve ²	740.0	629.1	444.1	356.0	186.4	233.0
Present value of installment premium ^d	363.4	366.4	229.9	173.8	132.1	90.0
Premium resources	1,103.4	995.5	674.0	529.8	318.5	323.0
Loss and LAE reserves ³	44.4	18.0	18.4	26.0	15.3	267.9
Standby line of credit / stop loss	200.0	200.0	-	-	-	-
Total claims paying resources	\$ 2,597.3	\$ 2,310.7	\$ 1,433.1	\$ 1,246.6	\$ 929.8	\$ 1,150.9
GAAP Financial Ratios						
Loss and LAE ratio ^e	63.0%	18.4%	(12.7)%	(73.6)%	(50.6)%	67.1%
Expense ratio ^e	34.2%	42.6%	47.2%	42.2%	62.8%	33.9%
Combined ratio ^e	97.2%	61.0%	34.5%	(31.4)%	12.2%	101.0%
Other Financial Information (End of Period)						
Net debt service outstanding	\$ 191,061	\$ 174,173	\$ 94,652	\$ 74,925	\$ 30,288	\$ 12,941
Net par amount outstanding	115,340	106,253	63,927	49,806	21,590	9,125

1. Assured Guaranty Re Ltd. (AG Re) numbers are the Company's estimate of U.S. statutory as the company files Bermuda statutory financial statements.

2. Unearned premium reserve for AG Re is U.S. GAAP based, includes unearned revenues on credit derivatives and is net of prepaid reinsurance premiums.

3. Loss and loss adjustment reserves for AG Re are U.S. GAAP based, includes loss reserves for credit derivatives and is net of reinsurance recoverable and portfolio reserves.

Note: Please refer to endnotes for explanation of non-GAAP financial measures [net present value of estimated future installment premiums in force (d) and loss and loss adjustment expense ratio, expense ratio and combined ratio (e)].

Glossary

Below are the brief descriptions of selected types of U.S. public finance, U.S. structured finance and International obligations that the Company insures and reinsures. For a more complete description, please refer to Assured Guaranty Ltd.'s 10-K report.

Other public finance: primarily includes government insured student loans, government-sponsored project finance and structured municipal which includes excess of loss reinsurance on portfolios of municipal credits.

Pooled corporate obligations are structured financings backed by a pool of debt obligations. These financings are typically structured in multiple tranches (layers) from equity (first loss) through super senior (high excess). Losses on defaulted pool assets are allocated successively first to the equity tranche then to higher rated tranches.

Mortgage-backed and home equity: includes individual and repackaged securities backed by either prime, Alt-A, or subprime first and second lien mortgages.

Consumer receivables: principally includes auto loan receivables and credit card receivables.

Commercial mortgage-backed securities: includes individual and repackaged securities backed by commercial mortgage-backed securities.

Commercial receivables: includes equipment loans or leases, fleet auto financings and franchise loans.

Structured credit: includes whole business securitizations and intellectual property securitizations. Whole business securitizations are obligations backed by revenue-producing assets sold to a limited-purpose company by an operating company, including franchise agreements, lease agreements, intellectual property and real property.

Other structured finance: includes, manufactured housing, collateralized debt obligations of asset-backed securities and other securitizations not included in other asset classes.

Endnotes related to non-GAAP financial measures discussed in the financial supplement:

(a) Present value of financial guaranty and credit derivative gross written premiums, or PVP, which is a non-GAAP financial measure, is defined as gross upfront and installment premiums received and the present value of gross estimated future installment premiums, on insurance and credit derivative contracts written in the current period, discounted at 6% per year. Management believes that PVP is a useful measure for management investors and analysts because it permits the evaluation of the value of new business production for Assured by taking into account the value of estimated future installment premiums on all new contracts underwritten in a reporting period, whether in insurance or credit derivative contract form, which GAAP gross premiums written and the net credit derivative premiums received and receivable portion of net realized gains and other settlement on credit derivatives ("credit derivative revenues") does not adequately measure. Actual future net earned or written premiums and credit derivative revenues may differ from PVP due to factors such as prepayments, amortizations, refundings, contract terminations or defaults that may or may not be influenced by market interest rates, refinancing or refunding activity, prepayment speeds, policy changes or terminations, credit defaults, or other factors that management cannot control or predict. This measure should not be viewed as a substitute for gross written premiums determined in accordance with GAAP.

(b) Operating income, which is a non-GAAP financial measure, is defined as net income (loss) excluding i) after-tax realized gains (losses) on investments and ii) after-tax unrealized gains (losses) on credit derivatives, other than the Company's net estimate of after-tax incurred case and portfolio loss and loss adjusted expense reserves for credit derivatives. Management believes that operating income is a useful measure for management, investors and analysts because the presentation of operating income enhances the understanding of Assured's results of operations by highlighting the underlying profitability of Assured's business. Realized gains (losses) on investments and unrealized gains (losses) on credit derivatives, other than the portion attributable to the Company's net estimate of incurred case and portfolio loss and loss adjustment expense reserves for credit derivatives, are excluded because the amount of both of these gains (losses) is heavily influenced by, and fluctuates, in part, according to changes in market interest rates, credit spreads and other factors that management cannot control or predict. This measure should not be viewed as a substitute for net income (loss) determined in accordance with GAAP.

(c) Adjusted book value, which is a non-GAAP financial measure, is defined as shareholder's equity (book value) plus the after-tax value of the unearned premium reserve net of prepaid reinsurance premiums, the after-tax value of unearned premium on credit derivatives net of prepaid reinsurance premiums and the after-tax net present value of estimated future installment premiums in force, less future ceding commissions, discounted at 6%, less after-tax deferred acquisition costs. Management believes that adjusted book value is a useful measure for management, equity analysts and investors because the calculation of adjusted book value permits an evaluation of the net present value of the Company's in-force premiums and shareholder's equity. The premiums described above will be earned in future periods, but may differ materially from the estimated amounts used in determining current adjusted book value due to changes in market interest rates, refinancing or refunding activity, prepayment speeds, policy changes or terminations, credit defaults and other factors that management cannot control or predict. This measure should not be viewed as a substitute for book value determined in accordance with GAAP.

(d) Net present value of estimated future installment premiums in force, which is a non-GAAP financial measure is defined as the present value of estimated future installment premiums from our financial guaranty and credit derivative in force books of business, net of reinsurance and discounted at 6%. Management believes that net present value of estimated future installment premiums in-force is a useful measure for management, investors and analysts because it permits an evaluation of the value of future estimated financial guaranty and credit derivative installment premiums. Estimated future premiums may change from period to period due to changes in par outstanding, maturity, or other factors that management cannot control or predict that result from market interest rates, refinancing or refunding activity, prepayment speeds, policy changes or terminations, credit defaults, or other factors. There is no comparable GAAP financial measure.

(e) Loss ratio, which is a non-GAAP financial measure, is defined as loss and loss adjustment expenses (recoveries) plus the Company's net estimate of credit derivative incurred case and portfolio loss and loss adjustment expense reserves, which is included in unrealized gains (losses) on credit derivatives, plus net credit derivative losses (recoveries), which is included in realized gains and other settlements on credit derivatives, divided by net earned premiums plus net credit derivative premiums earned, which is included in realized gains and other settlements on credit derivatives. Expense ratio is calculated by dividing the sum of ceding commissions expense (income), profit commission expense, acquisition costs and operating expenses by net earned premiums plus net credit derivative premiums earned, which is included in realized gains and other settlements on credit derivatives. Combined ratio, which is a non-GAAP financial measure, is the sum of the loss ratio and the expense ratio. Management believes that loss, expense and combined ratios are useful measures for management, investors and analysts to measure the Company's underwriting performance. There are no comparable GAAP financial measures.

For adjusted book value, net present value of estimated future installment premiums in force, and PVP, Assurec uses 6% as the present value discount rate because it is the approximate taxable equivalent yield on Assured's investment portfolio for the periods presented.

AG Re

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