

AG Re

ENDURING FINANCIAL STRENGTH



Q1

ASSURED GUARANTY RE LTD. | MARCH 31, 2009

Financial Supplement

Assured Guaranty Re Ltd. Financial Supplement First Quarter Ended March 31, 2009

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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, 2008, June 30, 2008, September 30, 2008 and March 31, 2009 and our 10-K for the year ended December 31, 2008.

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, including its calculations of adjusted book value, present value of insurance and credit derivative gross written premiums ("PVP"), net present value of estimated future installment premiums in force, total estimated net future premium earnings, and statements regarding capital losses, pricing, ratings, expenses and new business production could be affected by many events. These events include 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, investment losses, the availability of capital, 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 March 31,		% Change versus 1Q-08
	2009	2008	
Gross written premiums (GWP) analysis:			
Present value of financial guaranty and credit derivative GWP (PVP) ^a assumed from:			
Assured Guaranty Corp.	\$ 77.0	\$ 74.2	4%
Third parties	-	21.4	NM
Total PVP	77.0	95.6	(19)%
Less: PVP of credit derivatives	0.6	32.7	(98)%
PVP of financial guaranty GWP	76.4	62.9	21%
Less: Financial guaranty installment premium PVP	4.1	11.1	(63)%
Total: Financial guaranty upfront GWP	72.3	51.8	40%
Plus: Financial guaranty installment GWP	-	13.8	NM
Plus: Financial guaranty installment PVP adjustment ¹	(0.2)	-	NM
Total financial guaranty GWP	72.1	65.6	10%
Plus: Mortgage guaranty segment GWP	-	0.5	NM
Plus: Other segment GWP	-	3.3	NM
Total GWP per income statement	\$ 72.1	\$ 69.4	4%
Revenues			
Net earned premiums ²	\$ 80.7	\$ 30.8	162%
Net investment income	24.4	20.3	20%
Realized (losses) gains and other settlements on credit derivatives	(3.8)	5.7	NM
Incurred gains (losses) on credit derivatives	9.4	(1.7)	NM
Total revenues	110.7	55.1	101%
Expenses			
Loss and loss adjustment expenses ²	58.4	31.6	85%
Profit commission expense	0.3	0.7	(57)%
Acquisition costs ²	23.8	8.3	187%
Other operating expenses	4.5	4.4	2%
Total expenses	86.9	45.1	93%
Income before (benefit) provision for income taxes	23.8	10.0	138%
Total (benefit) provision for income taxes	(4.2)	0.4	NM
Operating income ^b	28.0	\$ 9.6	192%
Plus: Realized losses on investments, after tax	(17.2)	-	NM
Plus: Unrealized gains (losses) on credit derivatives, after tax	40.6	(41.7)	NM
Net income (loss)	\$ 51.3	\$ (32.2)	NM

1. 1Q-09 amount represents the difference in management estimates for the discount rate applied to future installments as well as the estimated term for future installments compared to FAS 163.

2. The Company adopted FAS No. 163 "Accounting for Financial Guarantee Insurance Contracts" ("FAS 163") effective January 1, 2009. Please refer to "Adoption of FAS 163" page for more information.

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	
	March 31, 2009	December 31, 2008
Assets		
Fixed maturity securities, at fair value	\$ 1,635.4	\$ 1,642.8
Short-term investments, at cost which approximates fair value	370.9	346.8
Total investments	2,006.4	1,989.6
Cash and cash equivalents	1.0	0.9
Accrued investment income	13.9	12.6
Deferred acquisition costs ¹	326.7	209.6
Premiums receivable ¹	475.3	23.6
Prepaid reinsurance premiums	0.5	0.6
Reinsurance recoverable on ceded losses	2.5	3.5
Deferred tax asset ¹	16.0	19.6
Credit derivative assets	28.5	21.9
Funds held under reinsurance contracts	5.1	5.1
Salvage recoverable ¹	37.0	24.0
Other assets	10.7	6.7
Total assets	\$ 2,923.5	\$ 2,317.7
Liabilities and shareholder's equity		
Liabilities		
Unearned premium reserves ¹	\$ 1,291.1	\$ 713.9
Reserves for losses and loss adjustment expenses ¹	122.8	90.8
Profit commissions payable	3.8	4.6
Reinsurance balances payable	14.3	16.6
Funds held by Company under reinsurance contracts	30.5	30.2
Credit derivative liabilities	209.4	252.5
Other liabilities	10.2	15.8
Total liabilities	1,682.0	1,124.5
Shareholder's equity		
Common stock	1.4	1.4
Additional paid-in capital	856.6	856.6
Retained earnings ¹	379.9	331.8
Accumulated other comprehensive income	3.6	3.4
Total shareholder's equity	1,241.5	1,193.2
Total liabilities and shareholder's equity	\$ 2,923.5	\$ 2,317.7
Book value	\$ 1,241.5	\$ 1,193.2
Plus: Net unearned premium reserve, after tax ²	1,279.8	707.4
Plus: Net unearned revenue on credit derivatives, after tax ³	6.4	7.0
Plus: Net present value of estimated future installment premiums in-force, after tax ^d	86.7	340.6
Less: Deferred acquisition costs, after tax	326.4	209.3
Adjusted book value ^c	\$ 2,287.9	\$ 2,038.9

1. The Company adopted FAS 163 effective January 1, 2009. Please refer to "Adoption of FAS 163" page for more information.

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

3. 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	As of March 31, 2009:		
	Written	Net Par		
	1Q 2009	Outstanding	%	Avg. Rating ¹
U.S. public finance				
General obligation	\$ 3,599	\$ 21,364	18.3%	A+
Tax backed	2,965	19,287	16.5%	A+
Municipal utilities	881	10,170	8.7%	A
Transportation	537	7,864	6.7%	A+
Healthcare	188	6,277	5.4%	A
Higher education	500	3,704	3.2%	A+
Housing	-	1,754	1.5%	A+
Investor-owned utilities	-	1,201	1.0%	BBB+
Other public finance	327	3,176	2.7%	A
Total U.S. public finance	\$ 8,997	\$ 74,797	64.1%	A+
U.S. structured finance				
Pooled corporate obligations	\$ -	\$ 8,177	7.0%	AA+
Residential mortgage-backed and home equity	-	4,482	3.8%	BBB
Commercial receivables	18	2,928	2.5%	A-
Consumer receivables	21	2,547	2.2%	A
Insurance securitizations	-	1,338	1.1%	AA-
Commercial mortgage-backed securities	-	1,335	1.1%	AA+
Structured credit	-	1,239	1.1%	A-
Other structured finance	-	271	0.2%	A+
Total U.S. structured finance	\$ 39	\$ 22,316	19.1%	A+
International				
Infrastructure and pooled infrastructure	\$ 139	\$ 5,333	4.6%	A
Regulated utilities	171	4,760	4.1%	A-
Residential mortgage-backed and home equity	-	2,924	2.5%	AAA
Pooled corporate obligations	-	2,422	2.1%	AA+
Public finance	65	1,151	1.0%	A
Commercial receivables	-	710	0.6%	A-
Future flow	-	674	0.6%	BBB
Insurance securitizations	-	667	0.6%	CCC+
Structured credit	-	365	0.3%	BBB+
Commercial mortgage-backed securities	-	353	0.3%	A+
Consumer receivables	-	100	0.1%	AAA
Other international structured finance	-	164	0.1%	AAA
Total international	\$ 375	\$ 19,623	16.8%	A+
Total	\$ 9,410	\$ 116,736	100.0%	A+
Mortgage guaranty risk in force	\$ -	\$ 381	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.

NA = Not Applicable

Assured Guaranty Re Ltd.

Financial Guaranty Profile (2 of 3)

(dollars in millions)

Distribution by Ratings of Financial Guaranty Portfolio

Ratings ¹ :	March 31, 2009		December 31, 2008	
	Net Par		Net Par	
	Outstanding	%	Outstanding	%
Super senior	\$ 7,463	6.4%	\$ 8,057	7.2%
AAA	11,417	9.8%	13,625	12.2%
AA	33,611	28.8%	32,888	29.4%
A	42,299	36.2%	36,582	32.7%
BBB	18,354	15.7%	17,643	15.8%
Below investment grade	3,593	3.1%	2,920	2.6%
Total exposures	<u>\$ 116,736</u>	<u>100.0%</u>	<u>\$ 111,715</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 March 31, 2009

U.S.:	Net Par	
	Outstanding	% of Total
California	\$ 10,913	9.3%
New York	8,064	6.9%
Florida	5,971	5.1%
Texas	4,551	3.9%
Illinois	4,019	3.4%
Pennsylvania	3,653	3.1%
Massachusetts	3,176	2.7%
New Jersey	2,612	2.2%
Michigan	2,227	1.9%
Washington	2,109	1.8%
Other states	27,501	23.6%
Mortgage and structured (multiple states)	22,316	19.1%
Total U.S.	\$ 97,113	83.2%

International:	Net Par	
	Outstanding	% of Total
United Kingdom	\$ 11,067	9.5%
Australia	1,831	1.6%
Germany	868	0.7%
Italy	653	0.6%
Ireland	646	0.6%
Other	4,559	3.9%
Total International	\$ 19,623	16.8%

Total exposures	\$ 116,736	100.0%
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Assured Guaranty Re Ltd.

Capital and Claims Paying Resources ¹

(dollars in millions)

	As of:	
	March 31, 2009	December 31, 2008
Statutory surplus and reserves		
Unearned premium reserve ²	\$ 897	\$ 720
Contingency reserve	-	-
Policyholders' surplus	1,035	1,220
Loss and loss adjustment expense reserves ³	62	37
Total policyholders' surplus & reserves	\$ 1,994	\$ 1,977
Claims paying resources		
Policyholders' surplus	\$ 1,035	\$ 1,220
Contingency reserve	-	-
Qualified statutory capital	1,035	1,220
Unearned premium reserve ²	897	720
Loss and loss adjustment expense reserves ³	62	37
Total policyholders' surplus & reserves	1,994	1,977
Present value of installment premium ^{d, 4}	381	345
Standby line of credit/stop loss	200	200
Total claims paying resources	\$ 2,575	\$ 2,522
Net par insured outstanding	\$ 116,736	\$ 111,715
Net debt service outstanding	\$ 188,175	\$ 184,541
Ratios:		
Net par insured to statutory capital	113:1	92:1
Capital ratio ⁵	182:1	151:1
Financial resources ratio ⁶	73:1	73:1

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. In 2008, 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. In 2008, loss and loss adjustment reserves for AG Re are U.S. GAAP based, include loss reserves for credit derivatives and are net of reinsurance recoverable and portfolio reserves.

4. Includes financial guaranty and credit derivatives.

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

6. 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 March 31, 2009	As of December 31, 2008
Loss and LAE reserves by type:		
Case ¹	\$ 119.1	\$ 50.3
IBNR and Portfolio ¹	3.7	40.4
Total	\$ 122.8	\$ 90.8
Plus: Loss and LAE reserves on credit derivatives	14.5	23.9
Total loss and LAE reserves, including credit derivatives	<u>\$ 137.3</u>	<u>\$ 114.6</u>

1. The Company adopted FAS 163 effective January 1, 2009. Please refer to "Adoption of FAS 163" page for more information.

Assured Guaranty Re Ltd.

Below Investment Grade Exposures

As of March 31, 2009

(dollars in millions)

Below Investment Grade Exposures Greater Than \$50 Million as of March 31, 2009

Name or Description	Weighted Average Remaining Life	Net Par Outstanding	Internal Rating ¹	Current Credit Enhancement
Deutsche Alt-A Securities Mortgage Loan 2007-2	7.8	\$ 390	B	9.8%
Ballantyne Re PLC Class A-2 Floating Rate Notes	12.8	370	D	NM
Orkney Re II, PLC	9.6	274	B	NM
Countrywide Home Equity Loan Trust 2005-J Class 1 & 2	5.4	246	D	0.0%
Detroit Michigan General Obligation	19.3	221	BB	n/a
Jefferson County Alabama Sewer	19.4	188	D	n/a
Guaranteed Student Loan transaction	32.5	152	B+	n/a
Guaranteed Student Loan transaction	28.2	110	BB+	n/a
Mortgagelt Securities Corp. Mortgage Loan 2007-2	4.6	108	BB	11.2%
Guaranteed Student Loan transaction	37.6	95	BB+	n/a
Countrywide Home Equity Loan Trust 2007-D	6.3	87	D	0.0%
Deutsche Alt-A Securities Mortgage Loan 2007-3	4.3	81	B	16.1%
Taberna Preferred Funding III, Ltd.	21.7	72	BB+	33.4%
CWALT Alternative Loan Trust 2007-HY9	9.7	70	BB	8.5%
Taberna Preferred Funding II, Ltd.	23.4	59	B	33.3%
CWHEQ Revolving Home Equity Trust Series 2006-I	4.1	51	D	12.1%
Total	14.2	\$ 2,574	BB-	

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.

Investment Portfolio
As of March 31, 2009
(dollars in millions)

	<u>Amortized Cost</u>	<u>Pre-Tax Book Yield</u>	<u>After-Tax Book Yield</u>	<u>Fair Value</u>	<u>Annualized Investment Income</u>
Fixed maturity securities available for sale:					
U.S. Treasury securities and obligations					
of U.S. government agencies	\$ 121.8	4.3%	4.1%	\$ 136.1	\$ 5.3
Agency obligations	240.7	4.4%	4.3%	255.8	10.7
Foreign government securities	0.1	7.3%	7.3%	0.2	0.0
Obligations of states and political subdivisions	75.3	4.5%	4.3%	74.4	3.4
Insured obligations of state and political subdivisions ¹	32.6	4.5%	4.2%	30.4	1.5
Corporate securities	197.4	5.8%	5.5%	183.7	11.4
Mortgage-backed securities ² :					
Pass-throughs	871.0	8.3%	8.0%	862.5	72.5
PACs	41.9	4.9%	4.8%	42.4	2.1
Asset-backed securities ³	51.4	3.7%	3.6%	49.9	1.9
Preferred stock	-	0.0%	0.0%	-	-
Total fixed maturity securities available for sale	\$ 1,632.1	6.7%	6.4%	\$ 1,635.4	\$ 108.6
Short-term investments	370.9	0.3%	0.3%	370.9	1.1
Total investments	\$ 2,003.1	5.5%	5.3%	\$ 2,006.4	\$ 109.7

Ratings ⁴:	<u>Fair Value</u>	<u>%</u>
Treasury and government obligations	\$ 136.1	8.3%
Agency obligations	255.8	15.6%
AAA/Aaa	930.0	56.9%
AA/Aa	136.8	8.4%
A/A	148.5	9.1%
BBB	0.5	0.0%
Below investment grade	27.7	1.7%
Total	\$ 1,635.4	100.0%

Duration of investment portfolio (in years): 2.7

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. \$1.5 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,					
	YTD 2009	2008	2007	2006	2005	2004
Claims Paying Resources ¹						
Policyholders' surplus	\$ 1,034.6	\$ 1,220.0	\$ 1,097.2	\$ 740.7	\$ 690.8	\$ 596.0
Contingency reserve	-	-	-	-	-	-
Statutory capital	1,034.6	1,220.0	1,097.2	740.7	690.8	596.0
Unearned premium reserve ²	896.9	720.4	629.1	444.1	356.0	186.4
Present value of installment premium ^d	380.6	344.9	366.4	229.9	173.8	132.1
Premium resources	1,277.5	1,065.3	995.5	674.0	529.8	318.5
Loss and LAE reserves ³	61.7	36.6	18.0	18.4	26.0	15.3
Standby line of credit / stop loss	200.0	200.0	200.0	-	-	-
Total claims paying resources	\$ 2,573.8	\$ 2,521.9	\$ 2,310.7	\$ 1,433.1	\$ 1,246.6	\$ 929.8
GAAP Financial Ratios						
Loss and LAE ratio ^e	65.9%	66.7%	18.4%	(12.7)%	(73.6)%	(50.6)%
Expense ratio ^e	34.8%	32.6%	42.6%	47.2%	42.2%	62.8%
Combined ratio ^e	100.7%	99.3%	61.0%	34.5%	(31.4)%	12.2%
Other Financial Information (End of Period)						
Net debt service outstanding	\$ 188,175	\$ 184,541	\$ 174,173	\$ 94,652	\$ 74,925	\$ 30,288
Net par amount outstanding	116,736	111,715	106,253	63,927	49,806	21,590

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. In 2008 and prior, 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. In 2008 and prior, 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)].

Adoption of FAS 163

In May 2008, the Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 163, "Accounting for Financial Guarantee Insurance Contracts" ("FAS 163"). FAS 163 requires that an insurance enterprise recognize a claim liability prior to an event of default (insured event) when there is evidence that credit deterioration has occurred in an insured financial obligation. FAS 163 also clarifies the methodology to be used for financial guaranty premium revenue recognition and claim liability measurement, as well as requiring expanded disclosures about the insurance enterprise's risk management activities. The provisions of FAS 163 related to premium revenue recognition and claim liability measurement are effective for financial statements issued for fiscal years beginning after December 15, 2008, and all interim periods within those fiscal years. Earlier application of these provisions was not permitted. The expanded risk management activity disclosure provisions of FAS 163 were effective for the third quarter of 2008 and were included in the Company's consolidated financial statements for those periods. FAS 163 will be applied to all existing and future financial guaranty insurance contracts written by the Company.

FAS 163 mandates the accounting changes proscribed by the statement be recognized by the Company as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 on the Company's balance sheet was as follows:

(dollar in millions)	December 31, 2008	Transition	January 1, 2009
	As reported	Adjustment	Per FAS 163
ASSETS:			
Deferred acquisition costs	\$209.36	\$127.00	\$336.36
Premiums receivable	23.6	447.1	470.7
Deferred tax asset	19.6	(2.5)	17.1
Salvage recoverable	24.0	4.9	28.9
Total assets	2,317.7	576.6	2,894.3
LIABILITIES AND SHAREHOLDER'S EQUITY:			
Unearned premium reserves	\$713.95	\$581.52	\$1,295.47
Reserves for losses and loss adjustment expenses	90.8	(14.5)	76.2
Total liabilities	1,124.5	567.0	1,691.5
Retained earnings	331.8	9.6	341.4
Total shareholder's equity	1,193.2	9.6	1,202.8
Total liabilities and shareholder's equity	\$2,317.67	\$576.61	\$2,894.28

A summary of the effects of FAS 163 on the balance sheet amounts above is as follows:

- Deferred acquisition costs increased to reflect commissions on future installment premiums related to assumed reinsurance policies.
- Premium receivable increased to reflect the recording of the net present value of future installment premiums discounted at a risk-free rate.
- Unearned premium reserves increased to reflect the recording of the net present value of future installment premiums discounted at a risk-free rate and the change in the premium earnings methodology to the effective yield method proscribed by FAS 163.
- Reserves for losses and loss adjustment expenses decreased to reflect the release of the Company's portfolio reserves on fundamentally sound credits partially offset by an increase in case reserves calculated based on probability weighted cash flows discounted at a risk free rate instead of based on a single case best estimate reserve discounted based on the after-tax investment yield of the Company's investment portfolio (6%). Salvage recoverable increased to reflect the change in discount rates.
- Deferred tax asset decreased to reflect the deferred tax effect of the above items.
- Retained earnings as of January 1, 2009 increased to reflect the net effect of the above adjustments.

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.

Residential mortgage-backed and home equity: includes individual and repackaged securities backed by either prime, Alt-A, or subprime first and second lien mortgages. Alt-A Option ARMs: includes transactions where 66% or more of the collateral is comprised of mortgage loans that have the potential to negatively amortize. Alt-A First Lien: includes all transactions, other than Alt-A Option ARM transactions, where more than 50% of the collateral is comprised of mortgage loans that were originated with less than full documentation.

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. Management discounts estimated future installment premiums on insurance contracts for PVP at 6% per year, while under FAS 163 these amounts are discounted at a risk free rate. Additionally, under FAS 163 management records future installment premiums on financial guaranty insurance contracts covering non-homogeneous pools of assets based on the contractual term of the contract whereas for PVP management only records its estimate of the future installment premiums that it expects to receive based on the contractual terms of the transaction. 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, subsequent to the adoption of FAS 163 in the first quarter of 2009, as shareholders' equity (book value) plus the after-tax value of the unearned premium reserve, which includes estimated future installment premiums in force, discounted at the risk free rate, 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 on credit derivatives in force, less future ceding commissions, discounted at 6%, less after-tax deferred acquisition costs.

Adjusted book value, prior to the adoption of FAS 163, was defined as shareholders' 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 shareholders' 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 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 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, Assured 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

ENDURING FINANCIAL STRENGTH

Assured Guaranty Re Ltd.
30 Woodbourne Avenue
Hamilton HM 08
Bermuda
(441) 296-4004
www.assuredguaranty.com

Contacts:

Equity Investors:

Sabra Purtill
Managing Director, Global Communications
and Investor Relations
(212) 408-6044
spurtill@assuredguaranty.com

Ross Aron
Associate, Investor Relations
(212) 261-5509
ron@assuredguaranty.com

Fixed Income Investors:

Michael Walker
Director, Fixed Income Investor Relations
(212) 261-5575
mwalker@assuredguaranty.com

Media:

Ashweeta Durani
Vice President, Global Communications
and Media Relations
(212) 408-6042
adurani@assuredguaranty.com