



MARCH 31, 2011



**ASSURED
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FAMILY OF COMPANIES

Financial Supplement

Assured Guaranty Re Ltd.



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RE

Assured Guaranty Re Ltd. March 31, 2011 Financial Supplement

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This financial supplement should be read in conjunction with documents filed by Assured Guaranty Ltd. (together with its subsidiaries, "Assured Guaranty") with the Securities and Exchange Commission ("SEC"), including Assured Guaranty's Annual Report on Form 10-K for the year ended December 31, 2010 and its Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011. For the purposes of this financial supplement, all references to the "Company" shall mean Assured Guaranty Re Ltd. ("AG Re") and its consolidated entities.

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 the current views of Assured Guaranty 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. Assured Guaranty's forward looking statements could be affected by many events. These events include (1) rating agency action, including a ratings downgrade or change in outlook at any time of Assured Guaranty Ltd. or its subsidiaries and/or of transactions that Assured Guaranty's subsidiaries have insured, both of which have occurred in the past, or a change in rating criteria; (2) developments in the world's financial and capital markets that adversely affect issuers' payment rates, Assured Guaranty's loss experience, its ability to cede exposure to reinsurers, its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns; (3) changes in the world's credit markets, segments thereof or general economic conditions; (4) more severe or frequent losses implicating the adequacy of Assured Guaranty's expected loss estimates; (5) the impact of market volatility on the mark-to-market of Assured Guaranty's contracts written in credit default swap form; (6) reduction in the amount of insurance and reinsurance opportunities available to Assured Guaranty; (7) deterioration in the financial condition of our reinsurers, the amount and timing of reinsurance recoverables actually received and the risk that reinsurers may dispute amounts owed to us under our reinsurance agreements; (8) the possibility that Assured Guaranty will not realize insurance loss recoveries or damages expected from originators, sellers, sponsors, underwriters or servicers of residential mortgage-backed securities transactions; (9) increased competition; (10) changes in applicable accounting policies or practices; (11) changes in applicable laws or regulations, including insurance and tax laws; (12) other governmental actions; (13) difficulties with the execution of Assured Guaranty's business strategy; (14) contract cancellations; (15) Assured Guaranty's dependence on customers; (16) loss of key personnel; (17) adverse technological developments; (18) the effects of mergers, acquisitions and divestitures; (19) natural or man-made catastrophes; (20) other risks and uncertainties that have not been identified at this time; (21) management's response to these factors; and (22) other risk factors identified in Assured Guaranty's filings with the SEC. 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. Assured Guaranty undertakes no obligation to publicly update or revise any forward looking statements, whether as a result of new information, future events or otherwise, except as required by law.

Assured Guaranty Re Ltd.

Consolidated Statements of Operations

(in millions)

	Three Months Ended March 31,	
	2011	2010
Revenues:		
Net earned premiums	\$ 33.5	\$ 34.5
Net investment income	24.0	20.5
Net realized investment gains (losses)	0.8	1.2
Net change in fair value of credit derivatives:		
Credit derivative revenues	6.0	4.6
Losses incurred on credit derivatives	(7.6)	(14.6)
Net unrealized gains (losses), excluding losses incurred	(69.6)	102.8
Net change in fair value of credit derivatives	(71.2)	92.8
Other income	2.5	(9.7)
Total revenues	(10.4)	139.3
Expenses:		
Loss and loss adjustment expenses	(4.7)	39.4
Amortization of deferred acquisition costs	13.5	8.0
Other operating expenses	6.6	6.6
Total expenses	15.4	54.0
Income before income taxes	(25.8)	85.3
Provision (benefit) for income taxes	1.3	0.7
Net income	(27.1)	84.6
Less after-tax adjustments:		
Realized gains (losses) on investments	0.7	1.3
Non-credit impairments unrealized fair value gains (losses) on credit derivatives	(69.8)	102.3
Foreign exchange gains (losses) on revaluation of premiums receivable	2.4	(9.8)
Operating income (loss) ¹	\$ 39.6	\$ (9.2)

1. The Company revised its definition of operating income in second quarter 2010 to exclude foreign exchange revaluation gains and losses on premiums receivable. Three months ended March 31, 2010 are presented on a consistent basis.

Note: Please refer to the endnotes for an explanation of the non-GAAP financial measures.

Assured Guaranty Re Ltd.

Consolidated Balance Sheets

(in millions)

	As of	
	March 31, 2011	December 31, 2010
Assets:		
Investment portfolio:		
Fixed maturity securities, available-for-sale, at fair value	\$ 2,241.8	\$ 2,228.7
Short-term investments, at fair value	151.1	105.5
Total investment portfolio	2,392.9	2,334.2
Cash	16.4	14.5
Premiums receivable, net of ceding commissions payable	277.3	348.1
Ceded unearned premium reserve	0.3	0.4
Deferred acquisition costs	356.7	375.4
Reinsurance recoverable on unpaid losses	0.5	0.4
Salvage and subrogation recoverable	93.5	88.0
Credit derivative assets	115.8	103.5
Deferred tax asset, net	12.3	13.1
Current income tax receivable	0.5	2.5
Other assets	58.3	46.5
Total assets	\$ 3,324.5	\$ 3,326.6
Liabilities and shareholder's equity:		
Liabilities:		
Unearned premium reserve	\$ 1,276.0	\$ 1,332.2
Loss and loss adjustment expense reserve	162.7	178.3
Reinsurance balances payable, net	9.9	3.7
Credit derivative liabilities	533.2	446.4
Other liabilities	39.9	16.4
Total liabilities	2,021.7	1,977.0
Shareholder's equity:		
Preferred stock	-	-
Common stock	1.4	1.4
Additional paid-in capital	856.6	856.6
Retained earnings	370.2	409.3
Accumulated other comprehensive income	74.6	82.3
Total shareholder's equity	1,302.8	1,349.6
Total liabilities and shareholder's equity	\$ 3,324.5	\$ 3,326.6

Assured Guaranty Re Ltd.

Adjusted Book Value

(in millions)

	As of	
	March 31, 2011	December 31, 2010
Reconciliation of shareholder's equity to adjusted book value:		
Shareholder's equity	\$ 1,302.8	\$ 1,349.6
Less after-tax adjustments:		
Non-credit impairment unrealized fair value gains (losses) on credit derivatives	(308.2)	(240.2)
Unrealized gain (loss) on investment portfolio excluding foreign exchange effect	74.6	82.3
Operating shareholder's equity	\$ 1,536.4	\$ 1,507.5
After-tax adjustments:		
Less: Deferred acquisition costs	356.5	375.2
Plus: Net present value of estimated net future credit derivative revenue	74.3	73.6
Plus: Net unearned premium reserve on financial guaranty contracts in excess of expected loss to be expensed	1,252.0	1,305.2
Adjusted book value	\$ 2,506.2	\$ 2,511.1

Note: Please refer to the endnotes for an explanation of the non-GAAP financial measures.

Assured Guaranty Re Ltd.

Condensed Consolidated Statement of Cash Flows

For the Three Months Ended March 31, 2011

(in millions)

Net cash flows provided by operating activities	\$ 59.1
Investing activities	
Fixed maturity securities:	
Purchases	(130.2)
Sales	53.2
Maturities	77.3
Net purchases of short-term investments	(45.5)
Net cash flows used in investing activities	(45.2)
Financing activities	
Dividends paid	(12.0)
Net cash flows used in financing activities	(12.0)
Effect of exchange rate changes	-
Increase in cash	1.9
Cash at beginning of period	14.5
Cash at end of period	\$ 16.4

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

The Company references financial measures that are not in accordance with accounting principles generally accepted in the United States of America ("GAAP").

Assured Guaranty's management and board of directors utilize non-GAAP measures in evaluating the Company's financial performance and as a basis for determining senior management incentive compensation. By providing these non-GAAP financial measures, investors, analysts and financial news reporters have access to the same information that management reviews internally. In addition, Assured Guaranty's presentation of non-GAAP financial measures is consistent with how analysts calculate their estimates of Assured Guaranty's financial results in their research reports on Assured Guaranty and with how investors, analysts and the financial news media evaluate Assured Guaranty's financial results.

The following paragraphs define each non-GAAP financial measure and describe why it is useful. A reconciliation of the non-GAAP financial measure and the most directly comparable GAAP financial measure, if available, is presented within this financial supplement. Non-GAAP financial measures should not be viewed as substitutes for their most directly comparable GAAP measures.

Operating Income: Management believes that operating income is a useful measure because it clarifies the understanding of the underwriting results of the Company's financial guaranty insurance business, and also includes financing costs and net investment income, and enables investors and analysts to evaluate the Company's financial results as compared to the consensus analyst estimates distributed publicly by financial databases. Operating income for AG Re is defined as net income (loss) attributable to AG Re, as reported under GAAP, adjusted for the following:

- 1) Elimination of the after-tax realized gains (losses) on the Company's investments, including other than temporary impairments, and credit and interest rate related gains and losses from sales of securities. Impairments and losses from sales of credit-impaired securities, the timing of which depends largely on market credit cycles, can vary considerably across periods. The timing of other sales that would result in gains or losses, such as interest rate related gains or losses, is largely subject to the Company's discretion and influenced by market opportunities, as well as the Company's tax and capital profile. Trends in the underlying profitability of the Company's business can be more clearly identified without the fluctuating effects of these transactions.
- 2) Elimination of the after-tax non-credit impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss. Additionally, such adjustments present all financial guaranty contracts on a more consistent basis of accounting, whether or not they are subject to derivative accounting rules.
- 3) Elimination of the after-tax foreign exchange gains (losses) on revaluation of net premium receivables. Long-dated receivables constitute a significant portion of the net premium receivable balance and represent the present value of future contractual or expected collections. Therefore, the current period's foreign exchange revaluation gains (losses) are not necessarily indicative of the total foreign exchange gains (losses) that the Company will ultimately recognize.

Operating Shareholder's Equity: Management believes that operating shareholders' equity is a useful measure because it presents the equity of Assured Guaranty Ltd. with all financial guaranty contracts accounted for on a more consistent basis and excluding fair value adjustments that are not expected to result in economic loss. Many investors, analysts and financial news reporters use operating shareholders' equity as the principal financial measure for valuing Assured Guaranty Ltd.'s current share price or projected share price and also as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd.'s common shares. Many of the Company's fixed income investors also use operating shareholders' equity to evaluate the Company's capital adequacy. Operating shareholders' equity is the basis of the calculation of adjusted book value (see below). Operating shareholder's equity for AG Re is defined as shareholder's equity attributable to AG Re, as reported under GAAP, adjusted for the following:

- 1) Elimination of the after-tax non-credit impairment unrealized fair value gains (losses) on credit derivatives, which is the amount in excess of the present value of the expected estimated economic credit losses. Such fair value adjustments are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.
- 2) Elimination of the after-tax fair value gains (losses) on the Company's committed capital securities. Such amounts are heavily affected by, and in part fluctuate with, changes in market interest rates, credit spreads and other market factors and are not expected to result in an economic gain or loss.

Adjusted Book Value: Management believes that adjusted book value is a useful measure because it enables an evaluation of the net present value of the Company's in force premiums and revenues in addition to operating shareholders' equity. The premiums and revenues included in adjusted book value will be earned in future periods, but actual earnings may differ materially from the estimated amounts used in determining current adjusted book value due to changes in, foreign exchange rates, refinancing or refunding activity, prepayment speeds, terminations, credit defaults and other factors. Many investors, analysts and financial news reporters use adjusted book value to evaluate Assured Guaranty Ltd.'s share price and as the basis of their decision to recommend, buy or sell the Assured Guaranty Ltd. common shares. Adjusted book value for AG Re is operating shareholder's equity for AG Re, as defined above, further adjusted for the following:

- 1) Elimination of after-tax deferred acquisition costs. These amounts represent net deferred expenses that have already been paid or accrued that will be expensed in future accounting periods.
- 2) Addition of the after-tax net present value of estimated net future credit derivative revenue. See below.
- 3) Addition of the after-tax value of the unearned premium reserve on financial guaranty contracts in excess of net expected loss to be expensed, net of reinsurance. This amount represents the expected future net earned premiums, net of expected losses to be expensed, which are not reflected in GAAP equity.

Net present value of estimated net future credit derivative revenue: Management believes that this amount is a useful measure because it enables an evaluation of the value of future estimated credit derivative revenue. There is no corresponding GAAP financial measure. This amount represents the present value of estimated future revenue from the Company's credit derivative in-force book of business, net of reinsurance, ceding commissions and premium taxes in excess of expected losses, and is discounted at 6% (which represents the Company's tax-equivalent pre-tax investment yield on its investment portfolio). Estimated net future credit derivative revenue may change from period to period due to changes in foreign exchange rates, prepayment speeds, terminations, credit defaults or other factors that affect par outstanding or the ultimate maturity of an obligation.



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