ASSURED GUARANTY LTD
Form 424B5
June 19, 2009

Filed Pursuant to Rule 424(b)(5)
Registration No. 333-152892

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities to be Registered	Amount to be Registered(1)	Maximum Offering Price per Unit	Maximum Aggregate Offering Price(1)	Amount of Registration Fee(2)
Common Shares, par value U.S. $0.01 per share	44,275,000	$11.00	$487,025,000	$27,176.00

(1) Includes common shares that may be purchased by the underwriters pursuant to their option to purchase additional shares.

(2) The filing fee is calculated in accordance with Rule 457(r) under the Securities Act of 1933.

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PROSPECTUS SUPPLEMENT
(To prospectus dated June 16, 2009)

38,500,000 Shares

Assured Guaranty Ltd.

Common Shares

We are offering 38,500,000 common shares, par value $0.01 per share.

Concurrently with this offering of our common shares, we are offering 3,000,000 equity units (or 3,450,000 equity units if the underwriters exercise their overallotment option in full) pursuant to a separate prospectus supplement and accompanying prospectus. This common share offering is not contingent upon the equity units offering, and the equity units offering is not contingent upon this common shares offering.

Our common shares are listed on the New York Stock Exchange under the symbol "AGO." The last reported closing price of our common shares on the New York Stock Exchange on June 18, 2009 was $11.09 per share.

Investing in our common shares involves risks. See "Risk Factors" beginning on page S-15 of this prospectus supplement.

	Per Share	Total
Public offering price	$11.00	$423,500,000
Underwriting discount	$.495	$19,057,500
Proceeds, before expenses, to us	$10.505	$404,442,500

We have granted the underwriters an option to purchase up to 5,775,000 additional common shares on the same terms and conditions as set forth below if the underwriters sell more than 38,500,000 common shares in this offering. The underwriters can exercise this right at any time and from time to time, in whole or in part, within 30 days after the offering.

Funds controlled by WL Ross & Co. LLC have pre-emptive rights to purchase a portion of the common shares offered in this offering. The funds have indicated their intention to purchase 10% of the shares in this offering at the public offering price set forth above.

Neither the Securities and Exchange Commission nor any other regulatory body has approved or disapproved of these securities or passed upon the accuracy or adequacy of this prospectus supplement or the accompanying prospectus. Any representation to the contrary is a criminal offense. The securities are not being offered in any jurisdiction where the offer is not permitted.

Our common shares will be ready for delivery on or about June 24, 2009.

Joint Book-Running Managers

Merrill Lynch & Co. **Deutsche Bank Securities**

Wachovia Securities **KeyBanc Capital Markets** **UBS Investment Bank**

PNC Capital Markets LLC **Piper Jaffray** **Keefe, Bruyette & Woods**

Sandler O'Neill + Partners, L.P. **Fox-Pitt Kelton Cochran Caronia Waller** **Ramirez & Co., Inc.**

The date of this prospectus supplement is June 18, 2009.

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You should rely only on the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus. We have not, and the underwriters have not, authorized anyone to provide you with different information. We are not making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information contained or incorporated by reference in this prospectus supplement and the accompanying prospectus is accurate as of the date on the front of this prospectus supplement only. Our business, financial condition, results of operations and prospects may have changed since that date.

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ABOUT THIS PROSPECTUS SUPPLEMENT

This document is comprised of two parts. The first part is this prospectus supplement, which describes the specific terms of this offering of common shares and also adds to and updates information contained in the accompanying prospectus and the documents incorporated by reference into this prospectus supplement and the accompanying prospectus. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering. If the description of the offering varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in this prospectus supplement.

You should rely only on information contained in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein and therein. We have not, and the underwriters have not, authorized anyone to provide you with information that is different. The information in this prospectus supplement and the accompanying prospectus may only be accurate as of the date of this prospectus supplement.

It is important for you to read and consider all information contained or incorporated by reference into this prospectus supplement and the accompanying prospectus in making your investment decision. You should also read and consider the information in the documents to which we have referred you in "Where You Can Find More Information" in this prospectus supplement.

We have obtained consent from the Bermuda Monetary Authority for the issue and transfer of our common shares to and between persons regarded as non-residents in Bermuda for exchange control purposes, provided our common shares remain listed on an appropriate stock exchange, which includes the New York Stock Exchange, Inc. ("NYSE"). Issues and transfers of common shares to any person regarded as resident in Bermuda for exchange control purposes may require the specific prior approval from the Bermuda Monetary Authority. In addition, this prospectus supplement and the accompanying prospectus will be filed with the Registrar of Companies in Bermuda in accordance with Bermuda law. The Bermuda Monetary Authority and Registrar of Companies accept no responsibility for the financial soundness of any proposal or for the correctness of any of the statements made or opinions expressed in this prospectus supplement.

Any person who, directly or indirectly, becomes a holder of at least 10 percent, 20 percent, 33 percent or 50 percent of the common shares must notify the Bermuda Monetary Authority in writing within 45 days of becoming such a holder or 30 days from the date they have knowledge of having such a holding, whichever is later. The Bermuda Monetary Authority may, by written notice, object to such a person if it appears to the Bermuda Monetary Authority that the person is not fit and proper to be such a holder. The Bermuda Monetary Authority may require the holder to reduce its holding of our common shares and direct, among other things, that voting rights attaching to the common shares shall not be exercisable. A person that does not comply with such a notice or direction from the Bermuda Monetary Authority will be guilty of an offence.

For so long as we have as a subsidiary an insurer registered under the Insurance Act (Bermuda), the Bermuda Monetary Authority may at any time, by written notice, object to a person holding 10 percent or more of our common shares if it appears to the Bermuda Monetary Authority that the person is not or is no longer fit and proper to be such a holder. In such a case, the Bermuda Monetary Authority may require the shareholder to reduce its holding of our common shares and direct, among other things, that such shareholder's voting rights attaching to the common shares shall not be exercisable. A person who does not comply with such a notice or direction from the Bermuda Monetary Authority will be guilty of an offence.

References in this prospectus supplement and the accompanying prospectus to "Assured Guaranty," "Assured," "we," "us," "our" and the "Company," refer to Assured Guaranty Ltd. and, unless the context otherwise requires or unless otherwise stated, its subsidiaries.

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FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus, and the documents incorporated herein by reference, may contain "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933 as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These forward-looking statements may include forward-looking statements which reflect Assured's current views with respect to future events and financial performance. These statements include forward-looking statements both with respect to us specifically and the insurance and reinsurance industries in general. Statements which include the words "expect," "intend," "plan," "believe," "project," "anticipate," "may," "will," "continue," "further," "seek" and similar words or statements of a future or forward-looking nature identify forward-looking statements for purposes of the federal securities laws or otherwise. All forward-looking statements address matters that involve risks and uncertainties. These risks and uncertainties include, but are not limited to, economic, competitive, legal, governmental and technological factors. Accordingly, there are or will be important factors that could cause Assured's actual results to differ materially from those indicated in these statements. We believe that these factors include the following:

- downgrades of the financial strength ratings assigned by the major rating agencies to any of our insurance subsidiaries at any time, which has occurred in the past;
- downgrades of the transactions we insure;
- our inability to execute our business strategy;
- reduction in the amount of reinsurance facultative cessions or portfolio opportunities available to us;
- contract cancellations;
- developments in the world's financial and capital markets that adversely affect our loss experience, the demand for our products, our access to capital, our unrealized (losses) gains on derivative financial instruments or our investment returns;
- more severe or frequent losses associated with our insurance products, or changes in our assumptions used to estimate loss reserves and unrealized (losses) gains on derivative financial instruments;
- impact of market volatility on the marking to market on our contracts written in CDS form;
- changes in regulation or tax laws applicable to us, our subsidiaries or customers;
- governmental actions;
- natural or man-made catastrophes;
- dependence on customers;
- decreased demand for our insurance or reinsurance products or increased competition in our markets;

loss of key personnel;

technological developments;

the effects of mergers, acquisitions and divestitures;

changes in accounting policies or practices;

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- changes in the credit markets, segments thereof or general economic conditions, including the overall level of activity in the economy or particular sectors, interest rates, credit spreads and other factors;

- other risks and uncertainties that have not been identified at this time; and

- management's response to these factors.

The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in Assured's periodic reports filed with the Securities and Exchange Commission (the "SEC"). We undertake no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise.

If one or more of these or other risks or uncertainties materialize, or if Assured's underlying assumptions prove to be incorrect, actual results may vary materially from what we projected. Any forward-looking statements you read in this prospectus supplement, in the accompanying prospectus, or in the documents incorporated by reference reflect Assured's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to Assured's operations, results of operations, growth strategy and liquidity.

For these statements, we claim the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act and Section 21E of the Exchange Act.

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PROSPECTUS SUPPLEMENT SUMMARY

This summary highlights basic information about Assured Guaranty and this offering. Because it is a summary, it does not contain all of the information that you should consider before investing in the common shares. You should read this entire prospectus supplement, the accompanying prospectus and the documents that we have filed with the SEC that are incorporated herein by reference, including the financial statements and notes thereto, carefully before making an investment decision.

Assured Guaranty Ltd.

Assured Guaranty Ltd. is a Bermuda based holding company that provides, through its operating subsidiaries, credit enhancement products to the public finance, structured finance and mortgage markets. Credit enhancement products are financial guaranty or other types of financial support, including credit derivatives, that improve the credit of underlying debt obligations. A derivative is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying security or commodity. We apply our credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of our customers. We market our products directly and through financial institutions, serving the U.S. and international markets.

Our principal operating subsidiaries are Assured Guaranty Corp. ("AGC") and Assured Guaranty Re Ltd. ("AG Re").

AGC is a Maryland-domiciled insurance company and provides insurance and reinsurance of investment-grade financial guaranty exposures and credit default swap ("CDS") transactions.

AG Re is incorporated under the laws of Bermuda and is licensed as a Class 3B Insurer and a Long-Term Insurer under the Insurance Act 1978 and related regulations of Bermuda. AG Re indirectly owns the entire share capital of Assured Guaranty Re Overseas Ltd. ("AGRO"). AG Re and AGRO underwrite financial guaranty and residential mortgage reinsurance. AG Re and AGRO write business as direct reinsurers of third-party primary insurers and as reinsurers/retrocessionaires of certain affiliated companies.

Assured Guaranty Ltd. has four principal business segments: (1) financial guaranty direct, which includes transactions whereby we provide an unconditional and irrevocable guaranty that indemnifies the holder of a financial obligation against non-payment of principal and interest when due, and could take the form of a credit derivative; (2) financial guaranty reinsurance, which includes agreements whereby we are a reinsurer and agree to indemnify a primary insurance company against part or all of the loss which the latter may sustain under a policy it has issued; (3) mortgage guaranty, which includes mortgage guaranty insurance and reinsurance whereby we provide protection against the default of borrowers on mortgage loans; and (4) other, which includes lines of business in which we are no longer active.

Our principal operating subsidiaries have the following insurance financial strength ratings:

	S&P	Moody's	Fitch
Assured Guaranty Corp.	AAA (Stable)	Aa2 (Under review for possible downgrade)	AA (Rating Watch Evolving)
Assured Guaranty Re Ltd.	AA (Stable)	Aa3 (Under review for possible downgrade)	AA- (Rating Watch Evolving)

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Our total financial guaranty net par outstanding as of March 31, 2009 was $237.2 billion, diversified across public finance and structured finance exposures. A breakdown of net par outstanding as of March 31, 2009 by type of business is as follows:

	March 31, 2009			
	Financial Guaranty Direct Net Par Outstanding	Financial Guaranty Reinsurance Net Par Outstanding	Consolidated Net Par Outstanding	% of Total
	(dollars in millions)			
U.S. public finance	$ 45,548	$ 81,616	$ 127,164	53.6%
U.S. structured finance	63,695	8,421	72,116	30.4
International	26,327	11,568	37,896	16.0
Total net par outstanding	$ 135,570	$ 101,606	$ 237,176	100.0%

Our net earned premiums for the year ended December 31, 2008 were $261.4 million compared with $159.3 million for the year ended December 31, 2007. Our net earned premiums for the three months ended March 31, 2009 were $148.4 million compared with $46.8 million for the three months ended March 31, 2008. Our net income for the year ended December 31, 2008 was $68.9 million compared to a loss of $303.3 million for the year ended December 31, 2007. Our net income for the three months ended March 31, 2009 was $85.5 million compared to a net loss of $169.2 million for the three months ended March 31, 2008. Our shareholders' equity as of March 31, 2009 was $2.0 billion, or $22.48 per common share, compared to $1.9 billion at December 31, 2008, or $18.63 per common share. Effective January 1, 2009, we adopted FAS No. 163, "Accounting for Financial Guarantee Insurance Contracts" ("FAS 163"). As a result of the adoption of FAS 163, net premiums earned and losses and loss adjustment expenses are not comparable between 2008 and 2009.

We believe we are in a strong market position due to our high quality insured portfolio and limited exposure to troubled asset classes. As a highly rated and well capitalized insurer, we continue to see significant demand for our guarantee. For the five months ended May 31, 2009, we have guaranteed 794 U.S. public finance new issue transactions totaling $15.2 billion of par. This represents approximately 10.6% of total U.S. public finance new issue volume during this period, an increase of 4.8% over the five months ended May 31, 2008. We will continue to review opportunities to take advantage of current market conditions, including reinsurance of portfolios of risks and acquiring portfolios of risks, in each case meeting our strict underwriting and pricing criteria.

In November 2008, we entered into a purchase agreement (as amended, the "Purchase Agreement") with Dexia Holdings, Inc. ("Dexia Holdings") and Dexia Crédit Local S.A., to acquire (the "Acquisition") Financial Security Assurance Holdings Ltd. ("FSAH"), the parent company of, among others, Financial Security Assurance Inc. ("FSA"), a financial guaranty insurer. FSAH's ultimate parent is Dexia SA ("Dexia"). For more information concerning FSAH, see " Financial Security Assurance Holdings Ltd." and "The Business of Financial Security Assurance Holdings Ltd."

For more information concerning Assured's business, see "The Business of Assured Guaranty Ltd."

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Financial Security Assurance Holdings Ltd.

FSAH, through its insurance company subsidiaries, provides financial guaranty insurance on public finance obligations in domestic and international markets. Historically, FSAH also provided financial guaranty insurance on asset-backed obligations. In August 2008, FSAH announced that it would cease insuring asset-backed obligations and instead participate exclusively in the global public finance financial guaranty business. In addition, prior to November 2008, FSAH issued FSA-insured guaranteed investment contracts ("GICs") and other investment agreements, as well as medium term notes ("MTNs") to municipalities and other market participants through its financial products ("Financial Products") segment.

FSAH's principal operating subsidiary has the following insurance financial strength ratings:

Financial Strength Rating (Outlook)

	S&P	Moody's	Fitch
Financial Security Assurance, Inc.	AAA (Negative)	Aa3 (Under review for possible downgrade)	AA+ (Negative Credit Watch)

FSAH's total financial guaranty net par outstanding was $417.3 billion as of March 31, 2009. A breakdown of net par outstanding as of March 31, 2009 by type of business is as follows:

	March 31, 2009	
	Net Par Outstanding	% of Total
	(dollars in millions)	
U.S. public finance	$ 293,968	70.4%
U.S. structured finance	77,179	18.5
International	46,159	11.1
Total net par outstanding	$ 417,306	100.0%

FSAH's net premiums earned for the year ended December 31, 2008 were $376.6 million compared with $317.8 million for the year ended December 31, 2007. FSAH's net premiums earned for the three months ended March 31, 2009 were $78.5 million compared with $72.9 million for the three months ended March 31, 2008. FSAH's net loss for the year ended December 31, 2008 was $8,443.2 million compared to a loss of $65.7 million for the years ended December 31, 2007. FSAH's net income for the three months ended March 31, 2009 was $11.5 million compared with a net loss of $421.6 million for the three months ended March 31, 2008. FSAH's shareholders' equity as of March 31, 2009 was $2.3 billion. Effective January 1, 2009, FSAH adopted FAS 163. As a result of the adoption of FAS 163, net premiums earned and losses and loss adjustment expenses are not comparable between 2008 and 2009.

For more information concerning FSAH's business, see "The Business of Financial Security Assurance Holdings Ltd."

Acquisition of Financial Security Assurance Holdings Ltd.

In November 2008, we entered into the Purchase Agreement pursuant to which we will acquire FSAH from Dexia Holdings in exchange for the issuance of up to 44,567,901 Assured common shares, or approximately 25.6% of our outstanding common shares after giving effect to the Acquisition and this offering and $361 million in cash. Under the Purchase Agreement, we are required to pay $8.10 per Assured common share in cash in lieu of any Assured common shares that would result in the 44,567,901 Assured common shares otherwise issuable to Dexia Holdings under the Purchase

Agreement exceeding 24.9% of our outstanding common shares after giving effect to such issuance and this offering. Based upon the public offering price set forth on the cover page of this prospectus supplement, we would be required to pay Dexia Holdings approximately $9.9 million in cash in lieu of issuing approximately 1.2 million Assured common shares. In addition, under the Purchase Agreement, we may elect to pay $8.10 per Assured common share in cash in lieu of up to 22,283,951 Assured common shares that we would otherwise deliver to Dexia Holdings as part of the purchase price. Dexia Holdings has agreed that the voting power with respect to the Assured common shares owned by it will be reduced to less than 9.5% of the total voting power of all Assured common shares outstanding. We intend to finance the cash portion of the Acquisition and the payment of cash to Dexia Holdings in lieu of 22,283,951 Assured common shares with the net proceeds of this offering and the Concurrent Equity Units Offering (as defined below). See "Use of Proceeds."

The Acquisition represents a unique opportunity for Assured to create the premier financial guaranty company by combining the talent, capacity, financial resources and relationships of Assured and FSAH. We believe the combination of Assured and FSAH will also enhance our financial strength and enhance our competitive position in the market. Through the acquisition of FSAH, we will increase our gross unearned premium reserves by $4.0 billion (prior to the impact of purchase accounting adjustments) and our financial guaranty net par outstanding by $417.3 billion, in each case as of March 31, 2009.

Prior to November 2008, FSAH, through its Financial Products subsidiaries (the "Financial Products Companies"), offered FSA-insured GICs and other investment agreements, including MTNs. In connection with the Acquisition, FSAH will transfer to a subsidiary of Dexia Holdings the ownership interests in the Financial Products Companies that it holds. The Financial Products Companies include (a) three FSAH subsidiaries that issued GICs (collectively, the "GIC Issuers"), (b) FSAH's subsidiary FSA Asset Management LLC ("FSAM"), which invests the proceeds of the GICs issued by the GIC Issuers, and (c) FSA Global Funding Limited ("FSA Global"), a variable interest entity that engages in the MTN business. The GIC Issuers and FSAM together constitute the "GIC Subsidiaries." Even though FSAH will no longer own the Financial Products Companies after the Acquisition, FSA's guarantees of the GICs and MTNs and other guarantees related to FSA's MTN and Leveraged Tax Lease Businesses (as defined below) generally will remain in place. In February 2009, Dexia entered into several agreements that transferred credit and liquidity risks of the GIC operations to Dexia (the "February 2009 Risk Transfer Transaction"). In connection with the Acquisition, Dexia and/or certain of its affiliates will enter into agreements assuming the remaining credit and liquidity risks associated with FSAH's former Financial Products business. See "Description of the Acquisition Financial Products Agreements."

The Acquisition is subject to customary closing conditions, including receipt of regulatory approvals in the United States and foreign countries. All of these conditions, other than those that, by their nature, are to be satisfied at the closing, have been satisfied or waived. We expect to close the Acquisition on or about July 1, 2009.

For more information concerning the Acquisition, see "Description of the Acquisition."

Business Strategy

Our objective is to build long-term shareholder value by achieving strong growth in book value per share through the following:

Exercising strict underwriting discipline. We have underwriting standards designed to protect our company against credit losses. We have exercised discipline in new business written through the credit cycle, including limiting exposure to higher risk asset classes such as certain types of residential mortgage-backed securities ("RMBS"). We constantly review our underwriting standards to reflect current global economic conditions and their impact on the municipal and structured finance markets, seeking to amend and/or strengthen our criteria where necessary.

Conduct direct business through dual operating platforms. Following the Acquisition, we will write direct financial guarantee business through our two operating subsidiaries, AGC and FSA. These dual platforms will allow us to capitalize on the well established franchise of each company and allow us to provide investors with increased capacity and greater risk diversification. We will however, operate through a common infrastructure and risk management framework to create maximum operating efficiencies.

Capitalizing on the strong market position of our direct financial guaranty business. Following the acquisition of FSAH, we expect to be the largest writer of financial guarantees in the market. Our acquisition of FSAH will bring expanded relationships and experience, especially in the municipal finance and international infrastructure sectors. We intend to capitalize on our leading market position, as shown in the five months ended May 31, 2009, where we have guaranteed $15.2 billion of U.S. public finance new issue transactions, representing approximately 85% of the total insured U.S. public finance new issue volume during this period. We believe we are uniquely positioned to expand our direct financial guaranty business as financial markets stabilize and new issue volumes increase.

Utilize significant reinsurance market position to enhance strategic flexibility. We intend to maintain our significant financial guaranty reinsurance presence and leverage our position to enhance our operating flexibility in the market. While our treaty business has ceased due to lack of new business generation by other financial guaranty companies, we will seek opportunities to write new business in domestic and international markets that capitalizes on our efficient delivery of credit enhancement, including supporting new capacity which may be formed in the market over time. We will continue to review opportunities to take advantage of current market conditions, including reinsurance of portfolios of risks which meet our underwriting and pricing criteria.

Proactive loss mitigation. We continuously monitor trends and changes in our financial guaranty portfolio to detect deterioration in credit quality and to enable us to take remedial actions to minimize losses in transactions which perform below our expectations. In cases where there is a potential source of loss, we intend to aggressively pursue all sources of recovery from third parties.

Maintaining our commitment to financial strength. We recognize the importance of our excellent financial strength ratings and intend to write business in a manner consistent with maintaining the highest possible ratings for AGC and AG Re. We seek to maintain our financial strength through disciplined risk selection, prudent operating and financial leverage and a conservative investment posture. The Acquisition furthers this strategy by strengthening our balance sheet and enhancing our capital position.

Utilize capital efficiently. We rigorously monitor rating agency capital adequacy requirements to appropriately deploy capital to optimize the execution of our business plan and our return on capital.

Recent Developments

Moody's Ratings On May 20, 2009, Moody's Investors Service ("Moody's") placed under review for possible downgrade the Aa2 insurance financial strength rating of AGC, as well as the ratings of other entities within the Assured group. In its public announcement of the rating action, Moody's stated that this action reflects its view that despite recent improvements in Assured's market position, the expected performance of Assured's insured portfolio particularly the mortgage-related risks has substantially worsened. At the same time, Moody's also placed the Aa3 insurance financial strength ratings of FSA and its affiliated insurance operating companies on review for possible downgrade. In its public announcement of the rating action, Moody's cited its growing concerns about

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FSA's business and financial profile as a result of further deterioration in FSA's US mortgage portfolio and the related adverse effect on its capital adequacy, profitability, and market traction. In both press releases, Moody's noted that it has taken a more negative view of mortgage-related exposures in light of worse-than-expected performance trends, and recognized the continued susceptibility of the insured portfolio to the weak economic environment. Moody's also commented that the deterioration in the insured portfolios could have negative implications for the companies' franchise values, profitability and financial flexibility given the likely sensitivity of those business attributes to its capital position. Moody's also noted that the market dislocation caused by the declining financial strength of financial guaranty insurers may alter the competitive dynamics of the industry by encouraging the entry of new participants or the growth of alternative forms of execution.

Fitch Ratings On May 4, 2009, Fitch Ratings ("Fitch") downgraded the debt and insurer financial strength ratings of Assured Guaranty and its subsidiaries. Fitch's insurer financial strength ratings for AGC and Assured Guaranty (UK) Ltd. ("AG UK") are now AA (rating watch evolving), down from AAA (stable), while the insurer financial strength ratings for AG Re is AA- (rating watch evolving), down from AA (stable). Fitch cited Assured's exposures to mortgage-related and collateralized debt obligations of trust preferred securities as creating pressure on Assured's capital position. On May 11, 2009, Fitch lowered the rating of FSA to AA+ (negative credit watch). Fitch reported that the downgrade of FSA to AA+ was attributable to FSAH's credit exposure to the AA+ rating of the Kingdom of Belgium in connection with the separation of the Financial Products operations from FSA.

Favorable Litigation Settlement Assured Guaranty's subsidiary, Assured Guaranty Mortgage Insurance Company ("AGMIC"), reinsured a private mortgage insurer under a mortgage insurance stop loss excess of loss reinsurance agreement covering the reinsured's aggregate mortgage guaranty insurance losses in excess of a $25 million retention and subject to a $95 million limit. In April 2008, AGMIC notified the reinsured it was terminating the agreement because of the reinsured's breach of terms. This matter went to arbitration and on June 4, 2009, the arbitration panel issued a Final Interim Award with respect to this agreement in which the majority of the panel concluded that the reinsured breached a covenant in the agreement. AGMIC and the reinsured reached an agreement in principle on June 10, 2009 to settle the matter in full in exchange for a payment by AGMIC to the reinsured of $10 million, which resolves all disputes between the parties and concludes all remaining rights and obligations of the parties under the Agreement, subject to the execution of a final settlement agreement.

Investing in our common shares includes risks. See "Risk Factors" beginning on page S-15 of this prospectus supplement.

Our principal executive officers are located at 30 Woodbourne Avenue, Hamilton HM 08, Bermuda, and our telephone number is (441) 299-9375. Our Internet website address is *www.assuredguaranty.com*. The information on or connected to our website is not incorporated by reference into this prospectus supplement or the accompanying prospectus, and you should not consider them to be a part of this prospectus supplement or the accompanying prospectus.

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Summary Historical Financial Data of Assured Guaranty Ltd.

The following table sets forth summary historical financial data for Assured. The audited financial data have been derived from Assured's audited financial statements. The interim financial data have been derived from Assured's unaudited financial statements and include, in the opinion of Assured's management, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year.

You should read the following information in conjunction with Assured's financial statements and notes thereto and the other financial information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

	Three Months Ended March 31,		Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)		(dollars in millions, except per share amounts)				
Statement of Operations Data:							
Net earned premiums(1)	$ 148.4	$ 46.8	$ 261.4	$ 159.3	$ 144.8	$ 139.4	$ 98.7
Net investment income	43.6	36.6	162.6	128.1	111.5	96.8	94.8
Net realized investment (losses) gains	(17.1)	0.6	(69.8)	(1.3)	(2.0)	2.2	12.0
Realized gains and other settlements on credit derivatives	20.6	27.6	117.6	74.0	73.9	57.1	(13.1)
Unrealized gains (losses) on credit derivatives	27.0	(259.6)	38.0	(670.4)	11.8	4.4	137.4
Other income	20.6	8.5	43.4	8.8	0.4	0.2	0.8
Total revenues	243.1	(139.4)	553.2	(301.6)	340.4	300.3	330.5
Loss and loss adjustment expenses (recoveries)(1)	79.8	55.1	265.8	5.8	11.3	(63.9)	(48.2)
Profit commission expense	0.3	1.2	1.3	6.5	9.5	12.9	15.5
Acquisition costs	23.4	11.9	61.2	43.2	45.2	45.4	49.7
Other operating expenses	32.3	28.6	83.5	79.9	68.0	59.0	67.8
Other expense	1.4	0.7	5.7	2.6	2.5	3.7	1.6
Interest expense	5.8	5.8	23.3	23.5	13.8	13.5	10.7
Total expenses	143.0	103.4	440.9	161.4	150.4	70.7	97.2
Income (loss) before provision (benefit) for income taxes	100.1	(242.8)	112.3	(463.0)	190.0	229.6	233.3
Provision (benefit) for income taxes	14.6	(73.6)	43.4	(159.8)	30.2	41.2	50.5
Net income (loss)	$ 85.5	$ (169.2)	$ 68.9	$ (303.3)	$ 159.7	$ 188.4	$ 182.8
Earnings (loss) per share:(2)							
Basic	$ 0.94	$ (2.09)	$ 0.78	$ (4.38)	$ 2.15	$ 2.51	$ 2.42
Diluted	$ 0.93	$ (2.09)	$ 0.77	$ (4.38)	$ 2.13	$ 2.50	$ 2.42
Dividends per share	$ 0.045	$ 0.045	$ 0.18	$ 0.16	$ 0.14	$ 0.12	$ 0.06
Balance sheet data (end of period):							
Investments and cash	$3,812.3	$3,317.0	$3,643.6	$3,147.9	$2,469.9	$2,256.0	$2,157.9
Prepaid reinsurance premiums	23.7	17.5	18.9	13.5	4.5	9.5	11.8
Total assets	5,588.3	4,062.0	4,555.7	3,762.9	2,931.6	2,689.8	2,689.0
Unearned premium reserves	2,153.3	1,014.2	1,233.7	887.2	631.0	524.6	507.2
Reserves for losses and loss adjustment expenses	222.6	177.7	196.8	125.6	115.9	117.4	217.2
Long-term debt	347.2	347.2	347.2	347.1	347.1	197.3	197.4
Total liabilities	3,562.7	2,569.4	2,629.5	2,096.4	1,280.8	1,028.3	1,161.4
Accumulated other comprehensive (loss) income	1.8	51.6	2.9	56.6	41.9	45.8	79.0
Shareholders' equity	2,025.6	1,492.7	1,926.2	1,666.6	1,650.8	1,661.5	1,527.6

(1)

In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that we 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 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. As a result of the adoption of FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. 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 included in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009, which is incorporated herein by reference.

(2)

Effective January 1, 2009, the Company adopted FSP EITF 03-6-1, "Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities" ("FSP"), which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities and shall be included in the calculation of basic and diluted earnings per share ("EPS"). Upon retrospective adoption of the FSP, Assured decreased previously reported basic loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported basic EPS by $0.03, $0.04 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. Upon retrospective adoption of the FSP, Assured decreased previously reported diluted loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported diluted EPS by $0.02, $0.03 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. There was no impact on both previously reported basic and diluted EPS for 2008.

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Summary Historical Financial Data of Financial Security Assurance Holdings Ltd.

The following table sets forth summary historical financial data for FSAH. The annual financial data have been derived from FSAH's audited financial statements. The interim financial data have been derived from FSAH's unaudited financial statements and include, in the opinion of FSAH's management, all adjustments (consisting only of normal recurring adjustments and entries required to record the February 2009 Risk Transfer Transaction) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year. Furthermore, FSAH's financial statements for the periods prior to December 31, 2008 include FSAH's GIC operations, which were the subject of the February 2009 Risk Transfer Transaction and FSAH's other Financial Products businesses which we are not acquiring.

You should read the following information in conjunction with FSAH's financial statements and notes thereto and other financial information included or incorporated by reference into this prospectus supplement and the accompanying prospectus.

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Summary Historical Financial Data of Financial Security Assurance Holdings Ltd.

	As of and for the Period Ended						
	March 31,		December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(Unaudited)		(dollars in millions)				
Summary of Operations:							
Revenue							
Net premiums earned(1)	$ 78.5	$ 72.9	$ 376.6	$ 317.8	$ 301.5	$ 314.9	$ 325.9
Net investment income from general investment portfolio	62.1	64.8	264.2	236.7	218.9	200.8	172.1
Net interest income from financial products segment	34.4	208.8	647.4	1,079.6	858.2	487.9	194.7
Realized gains (losses) and other settlements on credit derivatives	(45.8)	36.2	126.9	102.8	87.2	89.2	69.1
Net unrealized (losses) gains on credit derivatives	573.2	(489.1)	(745.0)	(642.6)	31.8	11.1	56.4
Net realized and unrealized gains (losses) on derivative instruments	(180.5)	430.8	1,424.5	62.8	131.4	(183.6)	272.9
Expenses							
Losses and loss adjustment expenses(1)	350.9	300.4	1,877.7	31.6	23.3	25.4	20.6
Foreign exchange (gains) losses from financial products segment	(16.6)	13.3	1.7	138.5	159.4	(189.8)	91.3
Net interest expense from financial products segment	127.4	239.3	794.3	989.2	768.7	491.6	267.6
Income (loss) before provision (benefit) for income taxes and equity in losses of unconsolidated subsidiaries	165.3	(685.4)	(9,315.5)	(181.9)	522.8	465.1	580.5
Provision (benefit) for income taxes	153.7	(263.8)	(872.4)	(116.2)	150.7	126.9	110.6
Net income (loss)	11.5	(421.6)	(8,443.2)	(65.7)	372.2	337.3	466.0
Less: noncontrolling interest					(52.0)	11.2	87.4
Net income (loss) of FSAH and subsidiaries	$ 11.5	$ (421.6)	$ (8,443.2)	$ (65.7)	$ 424.2	$ 326.1	$ 378.6
Balance Sheet Data (at end of period)							
Assets							
Cash	$ 55.3	$ 45.0	$ 108.7	$ 26.6	$ 32.5	$ 43.6	$ 22.6
General investment portfolio	5,872.3	5,684.2	5,935.5	5,191.9	4,872.4	4,595.5	4,281.8
Financial products segment investment portfolio	805.0	16,157.8	10,302.0	19,213.2	17,537.1	14,002.0	9,546.7
Assets acquired in refinancing transactions	182.8	213.5	166.6	229.3	337.9	467.9	749.2
Note receivable from affiliate(2)	13,576.3						
Total assets	24,891.3	27,203.1	20,258.1	28,318.7	25,764.7	22,000.1	17,079.0
Liabilities and shareholders' equity							
Deferred premium revenue	3,991.4	3,002.7	3,044.7	2,870.6	2,621.5	2,339.0	2,063.8
Losses and loss adjustment expense reserve	2,017.7	526.3	1,779.0	274.6	228.1	205.7	179.9
Financial products segment debt	14,180.3	20,888.9	16,432.3	21,400.2	18,349.7	14,947.1	10,444.1
Notes payable	730.0	730.0	730.0	730.0	730.0	430.0	430.0
Total liabilities	22,609.3	27,158.5	25,442.3	26,740.6	23,042.1	18,996.8	14,289.1
Total shareholders' equity (deficit) of FSA Holdings and subsidiaries	2,281.7	44.3	(5,184.5)	1,577.8	2,722.3	2,822.9	2,611.3
Noncontrolling interest	0.3	0.3	0.3	0.3	0.3	180.4	178.6

Shareholders' equity (deficit)	2,282.0	44.6	(5,184.2)	1,578.1	2,722.6	3,003.3	2,789.9

(1) In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that FSAH 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

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requiring expanded disclosures about 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. As a result of the adoption of FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. The expanded risk management activity disclosure provisions of FAS 163 were effective for the third quarter of 2008 and were included in FSAH's consolidated financial statements for those periods. FAS 163 will be applied to all existing and future financial guaranty insurance contracts written by FSAH. FAS 163 mandates the accounting changes proscribed by the statement be recognized by FSAH as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 on FSAH's balance sheet was included in FSAH's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009 which is incorporated herein by reference.

(2)

The GIC Issuers, unlike FSAM, remain part of FSAH's consolidated financial statements, which means that the GICs issued to third parties and the GIC Issuers' note receivable from FSAM of $13.6 billion (the "Note Receivable from Affiliate") represent the liabilities and assets of the GIC business in FSAH's consolidated financial statements. The Note Receivable from Affiliate is carried at net realizable value, which is periodically evaluated for impairment. Prior to February 24, 2009, the Note Receivable from Affiliate was eliminated in consolidation.

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Summary Unaudited Pro Forma Combined Condensed Financial Information

The following summary unaudited pro forma combined condensed financial information of Assured has been prepared to assist you in your analysis of the financial effects of the Acquisition using the historical consolidated financial statements of Assured and FSAH.

This information is only a summary. You should read the unaudited pro forma combined condensed financial statements and other information and the accompanying notes that are included elsewhere in this prospectus supplement. You should also read the historical information and related notes of Assured and FSAH that are incorporated by reference into this prospectus supplement.

The following tables set forth summary unaudited pro forma combined condensed financial information of Assured giving effect to the Acquisition, using the acquisition method of accounting, as if the Acquisition had occurred on the dates indicated and after giving effect to the pro forma adjustments. The unaudited pro forma combined condensed balance sheet data as of March 31, 2009 give effect to the Acquisition as if the Acquisition had occurred on March 31, 2009. The unaudited pro forma combined condensed statements of operations data for the year ended December 31, 2008 and the three months ended March 31, 2009 give effect to the Acquisition as if the Acquisition had occurred on January 1, 2008. We are providing the unaudited pro forma combined condensed financial data for informational purposes only. It does not necessarily represent or indicate what the financial position and results of operations of Assured would actually have been had the Acquisition and other pro forma adjustments in fact occurred at the dates indicated. It also does not necessarily represent or indicate the future financial position or results of operations Assured will achieve after the Acquisition.

The pro forma adjustments reflect the payment of $544.5 million in cash and issuance of 22,283,951 Assured common shares to Dexia Holdings. The pro forma adjustments assume funds for the $544.5 million cash payment were obtained from the issuance of an additional 38,500,000 Assured common shares to the public at a purchase price of $11.00 per share, the public offering price set forth on the cover page of this prospectus supplement, and the issuance of $150 million of equity units.

The pro forma financial information does not reflect revenue opportunities and cost savings that we expect to realize after the Acquisition. We cannot give you any assurance with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the Acquisition. The pro forma financial information also does not reflect nonrecurring charges relating to integration activities or exit costs that may be incurred by Assured or FSAH in connection with the Acquisition.

	As of and for the three months ended March 31, 2009	For the year ended December 31, 2008
	(dollars in thousands, except per share amounts)	
Statement of Operations Data:		
Net earned premiums	$ 263,632	$ 796,671
Net (loss) income	237,287	(1,072,802)
(Loss) earnings per share		
Basic	$ 1.55	$ (7.17)
Diluted	$ 1.55	$ (7.17)
Balance Sheet Data (at end of period):		
Total assets	$ 16,610,864	
Unearned premium reserves	7,465,338	
Reserves for losses and loss adjustment expenses	2,233,038	
Long-term debt	445,823	
Shareholders' equity	2,802,617	
Book value per share	$ 18.57	

See Notes to the "Unaudited Pro Forma Combined Condensed Financial Statements."

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The Offering

Issuer	Assured Guaranty Ltd.
Common shares offered	38,500,000
Option to purchase additional shares	We have granted the underwriters a 30-day option to purchase up to an aggregate of 5,775,000 common shares if the underwriters sell more than 38,500,000 common shares in this offering.
Common shares to be outstanding after the offering	129,490,867 (or 135,265,867 if the underwriters exercise their overallotment option in full).
Use of proceeds	We intend to use $363.8 million of the net proceeds of this offering to pay the cash purchase price for the Acquisition. We intend to use the remaining net proceeds from this offering and the net proceeds from the Concurrent Equity Units Offering to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition. See " Concurrent Offering of Equity Units" and "Use of Proceeds."
Dividends	Holders of our common shares are entitled to receive dividends when, as and if declared by our board of directors. During 2008 we paid quarterly dividends to holders of our common shares at the annual rate of $0.18 per share.
NYSE symbol	AGO
Risk factors	Investing in our common shares involves risks. See "Risk Factors" for a description of certain risks you should consider before investing in our common shares.

The number of common shares that will be outstanding after this offering is based on the 90,990,867 common shares outstanding as of May 1, 2009. The number of common shares expected to be outstanding after this offering excludes:

- 4,633,496 common shares subject to options outstanding as of May 31, 2009;
- 3,985,297 common shares available for future grants under our employee benefits plans as of May 31, 2009;
- up to 44,567,901 common shares issuable to Dexia Holdings;
- common shares that may be purchased by the underwriters pursuant to an option granted by us; and
- common shares issuable under our 3,000,000 equity units to be issued in the Concurrent Equity Units Offering. See " Concurrent Offering of Equity Units."

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Concurrent Offering of Equity Units

Concurrently with this offering, we are offering (the "Concurrent Equity Units Offering") 3,000,000 equity units (or 3,450,000 equity units if the underwriters for that offering exercise their overallotment option in full), in a public offering. The equity units will each have a stated amount of $50 and will initially be in the form of corporate units, each of which consists of a purchase contract issued by us and, initially, a 5% undivided beneficial ownership interest in $1,000 principal amount of senior notes due June 1, 2014 to be issued by our subsidiary, Assured Guaranty US Holdings, Inc., which we refer to as the "senior notes." The senior notes will initially bear interest at a rate of 8.50% per year, payable quarterly and will initially be pledged to us to secure each holder's obligations under the related purchase contracts.

Under the purchase contract, holders are required to purchase no later than June 1, 2012, for a price of $50 in cash, the following number of common shares, subject to anti-dilution adjustments:

- if the "applicable market value" of our common shares, which is the average closing price of our common shares over the 20-trading day period ending on the third trading day prior to June 1, 2012, equals or exceeds $12.93, which we refer to as the "threshold appreciation price," 3.8685 common shares;

- if the applicable market value is less than the threshold appreciation price but greater than $11.00, which we refer to as the "reference price," a number of common shares equal to $50 divided by the applicable market value; and

- if the applicable market value is less than or equal to the reference price, 4.5455 common shares.

The reference price is the public offering price of the common shares sold in this offering set forth on the cover page of this prospectus supplement. The threshold appreciation price represents a 17.5% appreciation over the reference price. The reference price, threshold appreciation price and settlement rate are subject to adjustment as described in the prospectus supplement for the Concurrent Equity Units Offering.

We expect to raise approximately $548.9 million in net proceeds from this offering and the Concurrent Equity Units Offering, after deducting underwriters discounts and commissions and estimated expenses of the offerings, and assuming the underwriters in this offering and the Concurrent Equity Units Offering do not exercise their options to purchase additional common shares or equity units.

The Concurrent Equity Units offering will be effected pursuant to a separate prospectus supplement. This prospectus supplement shall not be deemed an offer to sell or a solicitation of an offer to buy any of the equity units or the components thereof. There is no assurance that the Concurrent Equity Units Offering will be completed. The Concurrent Equity Units Offering and this offering are not contingent upon each other.

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RISK FACTORS

You should carefully consider the following risk factors, as well as the other information included or incorporated by reference into this prospectus supplement and the accompanying prospectus, before making an investment decision. The factors described below represent our principal risk factors.

Risks Relating to the Acquisition

One or more of the conditions to our or Dexia Holdings' obligation to complete the Acquisition may not be satisfied and the Acquisition may not be completed.

Our and Dexia Holdings' obligations to complete the Acquisition are subject to a number of conditions specified in the Purchase Agreement. See "Description of the Acquisition Closing." Among these conditions is the requirement that we shall have received in writing or some other manner reasonably satisfactory to us from each of Fitch, Moody's and Standard & Poor's, a division of The McGraw-Hill Companies, Inc. ("S&P") a statement indicating that the consummation of the transactions contemplated by the Purchase Agreement will not result in a downgrade of AGC, AG Re and AG UK and that Dexia Holdings shall have received in writing or some other manner reasonably satisfactory to it from each of such rating agencies a statement indicating that the consummation of the transactions contemplated by the Purchase Agreement will not result in a downgrade of FSA. All of the closing conditions (other than those conditions that by their nature are to be satisfied at the closing) have been met or waived. However, if Fitch, Moody's or S&P were to withdraw its statement regarding the effect of the Acquisition on AGC, AG UK and AG Re, or on FSA, we or Dexia, as the case may be, would not be required to complete the Acquisition. In addition, certain conditions to the completion of the closing of the Acquisition are to be met at the closing date, including the absence of any governmental or judicial action prohibiting or making illegal the completion of the Acquisition and the accuracy of our representations and warranties in the Purchase Agreement. While we are not currently aware of any conditions to the closing of the Acquisition that would not be met, some of the conditions are outside of our control. In the event one of the conditions to our or Dexia Holdings' obligation to close the Acquisition is not met, we or Dexia Holdings might not complete the Acquisition. In such event, we would not obtain the benefits of the Acquisition.

Additionally, if the Acquisition is not completed for any reason, the price of our common shares may decline to the extent that (i) the current market price reflects a market assumption that the Acquisition will be completed and that the related benefits and synergies will be realized, (ii) the market perceives that the Acquisition was not consummated due to an adverse change in our business, or (iii) investors believe that we cannot compete in the marketplace as effectively without the Acquisition or otherwise remain uncertain about our future prospects in the absence of the Acquisition. Also, if the Acquisition does not occur, we may not be able to efficiently use the proceeds from this offering.

Loss reserve estimates are subject to uncertainties and loss reserves may not be adequate to cover potential paid claims.

The financial guarantees issued by Assured and FSA insure the financial performance of the obligations guaranteed over an extended period of time, in some cases over 30 years, under policies that Assured and FSA have, in most circumstances, no right to cancel. The Acquisition will increase our net par outstanding from approximately $237.2 billion to approximately $654.5 billion as of March 31, 2009 on a combined pro-forma basis excluding FSAH's Financial Products business. As a result of the lack of statistical paid loss data due to the low level of paid claims in our financial guaranty business and in the financial guaranty industry in general, particularly, until recently, in the structured asset-backed area, we do not use traditional actuarial approaches to determine loss reserves. The establishment of the appropriate level of loss reserves is an inherently subjective process involving numerous estimates, assumptions and judgments by management, using both internal and external data

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sources with regard to frequency and severity of loss. Actual losses will ultimately depend on events or transaction performance that will occur in the future. Therefore, we cannot assure you that current estimates of probable and estimable losses reflect the actual losses that we may ultimately incur or that the methodologies we and FSAH use to establish reserves in general or for any specific obligations have been the same historically or that they similar to methodologies employed by our competitors, counterparties or other market participants. Actual paid claims could exceed our estimate and could significantly exceed our loss reserves, which may result in adverse effects on our financial condition, ratings and ability to raise needed capital.

We will have exposure through financial guaranty insurance policies to FSAH's Financial Products business, which we are not acquiring.

FSAH, through the Financial Products Companies, offered FSA-insured GICs and other investment agreements, including MTNs. In connection with the Acquisition, FSAH will transfer to Dexia Holdings, or any of its subsidiaries, the ownership interests in the Financial Products Companies that it holds. Even though FSAH will no longer own the Financial Products Companies after the Acquisition, FSA's guarantees of the GICs and MTNs and other guarantees related to FSA's MTN and Leveraged Tax Lease Businesses generally will remain in place. While Dexia and/or certain of its affiliates and FSAH have entered into and are expected to enter into, at closing, a number of agreements pursuant to which Dexia and certain of its affiliates will assume the credit and liquidity risks associated with FSAH's former Financial Products business, FSA may still be subject to certain of these risks (as further described below). To the extent FSA is required to pay any amounts on financial products written by the Financial Products Companies, FSA will be subject to the risk that it will not receive the guarantee payment from Dexia and/or its affiliates or otherwise receive funds from Dexia or the Belgian State and/or the French State before it is required to make the payment under its financial guarantee policies or that it will not receive the guarantee payment at all. See "Description of the Acquisition Financial Products Agreements."

We will have substantial credit and liquidity exposure to Dexia and the Belgian and French states.

Dexia and its affiliates have entered into and are expected to enter into, at closing, a number of agreements pursuant to which Dexia and/or certain of its affiliates will guarantee certain amounts, lend certain amounts or post liquid collateral to or in respect of FSAH's former Financial Products business. In addition, Dexia has agreed (directly or through an affiliate) to provide a liquidity facility to FSA in an amount not to exceed $1 billion for the purpose of covering the liquidity risk arising out of claims payable in respect of "strip coverages" included in FSAH's leveraged tax lease business. See "Description of the Acquisition Financial Products Agreements." While these various agreements, are intended to shield Assured from paying any amounts in respect of the liabilities of the Financial Products business, Assured will remain subject to the risk that Dexia and/or various affiliates, and even the Belgian State and/or the French State, may not make such amounts or securities available (a) on a timely basis, which is referred to as "liquidity risk," or (b) at all, which is referred to as "credit risk," because of the risk of default. Even if Dexia and its affiliates and/or the Belgian State or French State have sufficient assets to pay all amounts when due, concerns regarding Dexia's or such States' financial condition could cause one or more rating agencies to view negatively the ability of Dexia and its affiliates or such States to perform under their various agreements and could negatively affect FSA's ratings.

Dexia and FSAH have entered into and are entering into a number of agreements pursuant to which Dexia and/or certain of its affiliates will guarantee the assets and liabilities of the GIC Issuers and FSAM and its subsidiary for the benefit of FSA. Certain of these obligations also benefit from a guarantee from the Belgian and French States. See "Description of the Acquisition Financial Products Agreements." As of March 31, 2009, the liabilities of the GIC Issuers and FSAM and its subsidiary exceeded their assets by approximately $8.7 billion (before any tax effects). To the extent FSA is

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required to pay any amounts in respect of the liabilities of these companies, FSA will be subject to the risk that it will not receive the guarantee payment from Dexia, Dexia's affiliates, the Belgian State and/or the French State before it is required to make the payment under its financial guarantee policy or that it will not receive the guarantee payment at all.

In addition, if a Dexia event of default were to occur, we may be required to direct the administration and management of the assets and liabilities of the GIC subsidiaries and could be delayed in our ability to utilize the collateral posted by Dexia and its affiliate under the credit support annexes. See "Description of the Acquisition Financial Products Agreements." Any delay in the GIC subsidiaries paying amounts due and payable in connection with the GIC business related to our assuming the obligation to direct the administration and management of the GIC subsidiaries' assets and liabilities or related to a delay in our access to the collateral posted by Dexia and its affiliate could require FSA to pay claims, and in some cases significant claims, under the FSA guarantees related to FSAH's Financial Products business in a relatively short period of time. Any failure of FSA to satisfy these obligations under its guarantees could negatively affect FSA's rating. See " A downgrade of the financial strength or financial enhancement ratings of FSA could adversely affect its business and prospects and, consequently, our results of operations and financial condition and thus the benefits we would otherwise gain from the Acquisition" below.

Restrictions on the conduct of FSA's business after the closing will limit Assured's operating and financial flexibility.

Under the Purchase Agreement, we have agreed to conduct FSA's business subject to certain restraints. These restrictions will generally continue for three years after the closing of the Acquisition. Among other things, we have agreed that unless FSA is rated below A1 by Moody's and below AA- by S&P, FSA will not write any business except municipal bond and infrastructure bond insurance, whether written directly, assumed, reinsured or occurring through any merger transaction. We have also agreed that FSA will not repurchase, redeem or pay any dividends in relation to any class of equity interests unless (i) (A) at such time FSA is rated at least AA- by S&P, AA- by Fitch and Aa3 by Moody's (if such rating agencies still rate financial guaranty insurers generally) and (B) the aggregate amount of such dividends in any year does not exceed 125% of FSAH's debt service requirements for that year or (ii) FSA receives prior rating agency confirmation that such action would not cause any rating currently assigned to FSA to be downgraded immediately following such action. These agreements will limit Assured's operating and financial flexibility.

Although we expect that the acquisition of FSAH will result in benefits to Assured, we may not realize those benefits because of integration difficulties.

Integrating the operations of Assured and FSAH successfully or otherwise realizing any of the anticipated benefits of the Acquisition, including anticipated cost savings and additional revenue opportunities, involve a number of potential challenges. The failure to meet these integration challenges could seriously harm our results of operations and the market price of the Assured common shares may decline as a result.

Realizing the benefits of the Acquisition will depend in part on the integration of information technology systems, operations and personnel. These integration activities are complex and time-consuming and we may encounter unexpected difficulties or incur unexpected costs, including:

- diversion of management attention from ongoing business concerns to integration matters;
- difficulties in consolidating and rationalizing information technology platforms and administrative infrastructures; and
- difficulties in combining corporate cultures, maintaining employee morale and retaining key employees.

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We may not successfully integrate the operations of Assured and FSAH in a timely manner and we may not realize the anticipated net reductions in costs and expenses and other benefits and synergies of the Acquisition to the extent, or in the time frame, anticipated. In addition to the integration risks discussed above, our ability to realize these net reductions in costs and expenses and other benefits and synergies could be adversely impacted by practical or legal constraints on our ability to combine operations.

Subject to certain limitations, Dexia Holdings may sell Assured common shares at any time following the one year anniversary of the Purchase Agreement, which could cause our stock price to decrease.

Dexia Holdings has agreed not to transfer any of the Assured common shares received in connection with the Acquisition at any time prior to November 14, 2009, the one year anniversary of the Purchase Agreement. We have agreed to register all of such Assured common shares under the Securities Act. The sale of a substantial number of Assured common shares by Dexia Holdings or our other stockholders within a short period of time could cause Assured's stock price to decrease, make it more difficult for us to raise funds through future offerings of Assured common shares or acquire other businesses using Assured common shares as consideration.

A downgrade of the financial strength or financial enhancement ratings of FSA would adversely affect its business and prospects and, consequently, its results of operations and financial condition and thus the benefits we would otherwise gain from the Acquisition.

As discussed below under " *A downgrade of the financial strength or financial enhancement ratings of any of our insurance subsidiaries would adversely affect our business and prospects and, consequently, our results of operations and financial condition,*" financial strength ratings are an important factor in establishing the competitive position of financial guaranty insurance and reinsurance companies.

On March 31, 2009, FSA was rated Triple-A (outlook negative) by S&P; Triple-A (rating watch negative) by Fitch and Aa3 (developing outlook) by Moody's. Subsequently, on May 11, 2009, Fitch downgraded FSA's rating to AA+ (rating watch negative). Fitch reported that the downgrade of FSA to AA+ was attributable to FSA's credit exposure to the AA+ rating of the Kingdom of Belgium in connection with the separation of the Financial Products operations from FSA.

Rating agencies may downgrade or revise their financial strength or financial enhancement ratings without notice and at any time. A downgrade of FSA's financial strength or financial enhancement ratings would adversely affect its business prospects and consequently, its results of operations and financial condition and thus the benefits we would otherwise gain from the Acquisition.

You will experience a reduction in percentage ownership and voting power with respect to Assured common shares as a result of the Acquisition.

In connection with the Acquisition, we will issue to Dexia Holdings up to 44,567,901 Assured common shares. Therefore, following the completion of the Acquisition, you will experience a reduction in your respective percentage ownership interests and effective voting power relative to their respective percentage ownership interests in Assured common shares and effective voting power prior to the Acquisition.

Risks Related to Our Business

Loss reserve estimates are subject to uncertainties and loss reserves may not be adequate to cover potential paid claims.

The financial guaranties issued by us insure the credit performance of the obligations guaranteed over an extended period of time, in some cases over 30 years, under policies that we have,

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in most circumstances, no right to cancel. As a result of the lack of statistically significant paid loss data due to the low level of paid claims in our financial guaranty business and in the financial guaranty industry in general, particularly, until recently, in the structured finance and asset-backed areas, we do not use traditional actuarial approaches to determine loss reserves. The establishment of the appropriate level of loss reserves is an inherently subjective process involving numerous estimates, assumptions and judgments by management, using both internal and external data sources with regard to frequency and severity of loss. Actual losses will ultimately depend on events or transaction performance that will occur in the future. Therefore, there can be no assurance that actual paid claims in our insured portfolio will not exceed our loss reserves or that the methodologies we and FSA use to establish reserves in general or for any specific obligations have been the same historically or that they are similar to methodologies employed by our competitors, counterparties or other market participants.

This uncertainty has substantially increased in recent months, especially for RMBS transactions. Current expected losses in subprime, Alt-A, closed-end second and home equity line of credit ("HELOC") RMBS transactions, as well as other real-estate related transactions, are far worse than originally expected and in many cases far worse than the worst historical losses. As a result, historical loss data may have limited value in predicting future RMBS losses. Our net par outstanding as of March 31, 2009 represented by U.S. RMBS and home equity loans was $17.8 billion and represented by commercial mortgage-backed securities ("CMBS") was $5.9 billion. FSA had net par outstanding as of March 31, 2009 represented by U.S. RMBS and home equity loans of $16.5 billion with no CMBS exposure. We cannot assure you that current estimates of probable and estimable losses reflect the actual losses that we may ultimately incur. Actual paid claims could exceed our estimate and could significantly exceed our loss reserves, which may result in adverse effects on our financial condition, ratings and ability to raise needed capital.

A downgrade of the financial strength or financial enhancement ratings of any of our insurance subsidiaries would adversely affect our business and prospects and, consequently, our results of operations and financial condition.

Financial strength ratings are an important factor in establishing the competitive position of financial guaranty insurance and reinsurance companies. The objective of these ratings is to provide an opinion of an insurer's financial strength and ability to meet ongoing obligations to its policyholders. Ratings reflect the rating agencies' opinions of our financial strength, and are neither evaluations directed to investors in our common shares nor recommendations to buy, sell or hold our common shares.

As of June 1, 2009, our insurance company subsidiaries have been assigned the following insurance financial strength ratings:

	Moody's	S&P	Fitch
Assured Guaranty Corp.	Aa2(Excellent)	AAA(Extremely Strong)	AA(Very Strong)
Assured Guaranty Re Ltd.	Aa3(Excellent)	AA(Very Strong)	AA-(Very Strong)
Assured Guaranty Re Overseas Ltd.	Aa3(Excellent)	AA(Very Strong)	AA-(Very Strong)
Assured Guaranty Mortgage Insurance Company	Aa3(Excellent)	AA(Very Strong)	AA-(Very Strong)
Assured Guaranty (UK) Ltd.	Aa2(Excellent)	AAA(Extremely Strong)	AA(Very Strong)

The outlook for each insurance financial strength rating issued by Moody's is under review for possible downgrade. The outlook for each insurance financial strength rating issued by Fitch is rating watch evolving.

Aa2 (Excellent) is the third highest ranking and Aa3 (Excellent) is the fourth highest ranking of 21 ratings categories used by Moody's. A AAA (Extremely Strong) rating is the highest ranking and AA (Very Strong) is the third highest ranking of the 21 ratings categories used by S&P. AAA

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(Extremely Strong) is the highest ranking and AA (Very Strong) is the third highest ranking of the 24 ratings categories used by Fitch. An insurance financial strength rating is an opinion with respect to an insurer's ability to pay under its insurance policies and contracts in accordance with their terms. The opinion is not specific to any particular policy or contract. Insurance financial strength ratings do not refer to an insurer's ability to meet non-insurance obligations and are not a recommendation to purchase or discontinue any policy or contract issued by an insurer or to buy, hold, or sell any security issued by an insurer, including our common shares.

The major rating agencies have developed and published rating guidelines for rating financial guaranty and mortgage guaranty insurers and reinsurers. The insurance financial strength ratings assigned by S&P, Moody's and Fitch are based upon factors relevant to policyholders and are not directed toward the protection of investors in our common shares. The rating criteria used by the rating agencies in establishing these ratings include consideration of the sufficiency of capital resources to meet projected growth (as well as access to such additional capital as may be necessary to continue to meet applicable capital adequacy standards), the company's overall financial strength, and demonstrated management expertise in financial guaranty and traditional reinsurance, credit analysis, systems development, marketing, capital markets and investment operations. Obligations insured by AGC generally are rated Aa2, AAA and AA by Moody's, S&P and Fitch, respectively, by virtue of such insurance. These ratings reflect only the views of the respective rating agencies and are subject to revision or withdrawal at any time.

The rating agencies grant credit to primary companies in their calculations of required capital and single risk limits for reinsurance ceded. The amount of credit is a function of the financial strength rating of the reinsurer. For example, S&P has established the following reinsurance credit for business ceded to a monoline reinsurer, including AG Re:

	Monoline Reinsurer Rating			
Ceding Company Rating	**AAA**	**AA**	**A**	**BBB**
AAA	100%	70%	50%	n/a
AA	100%	75%	70%	50%
A	100%	80%	75%	70%

Below A: Not applicable.

For reinsurance ceded to a multiline reinsurer, S&P has re-examined its methodology for the determination of reinsurance credit. In the course of its examination, S&P considered the effect of having both monoline and multiline companies in the industry, determining that multiline reinsurers had not demonstrated sufficient commitment to participation in the industry and occasionally had handled claims for financial guaranty reinsurance as they handle claims in their other business lines. S&P therefore determined that no rating agency reinsurance credit would be accorded cessions to multiline reinsurance companies that had not demonstrated their willingness and ability to make timely payment, which willingness and ability is measured by a financial enhancement rating from S&P. A financial enhancement rating reflects not only an insurer's perceived ability to pay claims, but also its perceived willingness to pay claims. Financial enhancement ratings are assigned by S&P to multiline insurers requesting the rating who meet stringent criteria identifying the company's capacity and

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willingness to pay claims on a timely basis. S&P has established the following reinsurance credit for business ceded to a multiline reinsurer carrying a financial enhancement rating:

	Multiline Reinsurer Rating			
Ceding Company Rating	AAA	AA	A	BBB
AAA	95%	65%	45%	n/a
AA	95%	70%	65%	45%
A	95%	75%	70%	65%

Below A: Not applicable.

The ratings of AGRO, AGMIC and AG UK are dependent upon support in the form of keepwell agreements. AG Re provides a keepwell to its subsidiary, AGRO. AGRO provides a keepwell to its subsidiary, AGMIC. AGC provides a keepwell to its subsidiary, AG UK. Pursuant to the terms of these agreements, each of AG Re, AGRO and AGC agrees to provide funds to their respective subsidiaries sufficient for those subsidiaries to meet their obligations.

The ratings assigned by S&P, Moody's and Fitch to our insurance subsidiaries are subject to periodic review and may be downgraded by one or more of the rating agencies as a result of changes in the views of the rating agencies or adverse developments in our subsidiaries' financial conditions or results of operations due to underwriting or investment losses or other factors. As a result, the ratings assigned to our insurance subsidiaries by any of the rating agencies may change at any time. If the ratings of any of our insurance subsidiaries were reduced below current levels by any of the rating agencies, it could have an adverse effect on the affected subsidiary's competitive position and its prospects for future business opportunities. A downgrade may also reduce the value of the reinsurance we offer, which may no longer be of sufficient economic value for our customers to continue to cede to our subsidiaries at economically viable rates.

On May 20, 2009, Moody's placed under review for possible downgrade the Aa2 insurance financial strength rating of AGC, as well as the ratings of other entities within the Assured group. In its public announcement of the rating action, Moody's stated that action reflects its view that despite recent improvements in Assured's market position, the expected performance of Assured's insured portfolio particularly the mortgage-related risks has substantially worsened. At the same time, Moody's also placed the Aa3 insurance financial strength ratings of FSA and its affiliated insurance operating companies on review for possible downgrade. In its public announcement of the rating action, Moody's cited its growing concerns about FSA's business and financial profile as a result of further deterioration in FSA's US mortgage portfolio and the related adverse effect on its capital adequacy, profitability, and market traction. In both press releases, Moody's noted that it has taken a more negative view of mortgage-related exposures in light of worse-than-expected performance trends, and recognized the continued susceptibility of the insured portfolio to the weak economic environment. Moody's also commented that the deterioration in the insured portfolios could have negative implications for the companies' franchise values, profitability and financial flexibility given the likely sensitivity of those business attributes to its capital position. Moody's also noted that the market dislocation caused by declining financial strength of financial guaranty insurers may alter the competitive dynamics of the industry by encouraging the entry of new participants or the growth of alternative forms of execution.

On May 4, 2009, Fitch downgraded the debt and insurer financial strength ratings of Assured Guaranty Ltd. and its subsidiaries. Fitch's insurer financial strength ratings for AGC and AG UK are now AA (rating watch evolving), down from AAA (stable) while the insurer financial strength ratings for AG Re is AA- (rating watch evolving), down from AA (stable). Fitch cited Assured's exposures to mortgage-related and collateralized debt obligations of trust preferred securities as creating pressure on Assured's capital position. On May 11, 2009, Fitch lowered the rating of FSA to AA+ (negative credit watch). Fitch reported that the downgrade of FSA to AA+ was attributable to FSA's credit exposure to

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the AA+ rating of the Kingdom of Belgium in connection with the separation of the Financial Products operations from FSA.

The rating agencies periodically review their stress loss estimates for our portfolio. Their reviews could lead one or more of them to change their views of Assured and its subsidiaries and downgrade or revise the financial strength or financial enhancement ratings of Assured and its subsidiaries without notice and at any time. There can be no assurance that one or more of the rating agencies will not take further action on our ratings.

If the financial strength or financial enhancement ratings of any of our insurance subsidiaries were reduced below current levels, we expect it would have an adverse effect on our business prospects for future business opportunities and consequently, our results of operations and financial condition. A downgrade may also reduce the value of the reinsurance we offer, which may no longer be of sufficient economic value for our customers to continue to cede to our subsidiaries at economically viable rates.

A downgrade in the financial strength or financial enhancement ratings assigned to our operating subsidiaries could adversely impact our existing agreements, which could impair our results of operations and financial condition.

With respect to a significant portion of our in-force financial guaranty reinsurance business, in the event that AG Re were downgraded from Aa3 to A1, subject to the terms of each reinsurance agreement, the ceding company may have the right to recapture business ceded to AG Re and assets representing substantially all of the statutory unearned premium and loss reserves (if any) associated with that business. As of March 31, 2009, the statutory unearned premium, which represents deferred revenue to us, subject to recapture was approximately $170 million. If this entire amount were recaptured, it would result in a corresponding one-time reduction to net income of approximately $15 million. The effect on net income under these scenarios is exclusive of any capital gains or losses that may be realized.

If certain of our credit derivative contracts are terminated, we could be required to make a termination payment as determined under the relevant documentation. As of the date of this prospectus supplement, if AGC's ratings are downgraded to BBB+ or Baa1, certain CDS counterparties could terminate certain CDS contracts covering approximately $449.6 million par insured. If AGC's ratings are downgraded to levels between BBB or Baa2 and BB+ or Ba1, certain CDS counterparties could terminate certain CDS contracts covering approximately $8.1 billion par insured. As of the date of this prospectus supplement, if AG Re's or AGRO's ratings are downgraded to BBB or Baa2 or BBB- or Baa3, respectively, certain CDS counterparties could terminate certain CDS contracts covering approximately $121.7 million par insured. Given current market conditions, we do not believe that we can accurately estimate the termination payments we could be required to make if, as a result of any such downgrade, a CDS counterparty terminated its CDS contracts with us. Any such payments could have a material adverse effect on our liquidity and financial condition.

During May and June 2009, we entered into agreements with two CDS counterparties which previously had the right to terminate certain CDS contracts in the event that AGC was downgraded to below Aa3 or AA-, in one case, or below A3 or A-, in the other case. These agreements eliminated the ability of those CDS counterparties to receive a termination payment. In return, we agreed to post $325 million in collateral to secure our potential payment obligations under certain CDS contracts, which cover approximately $18.9 billion of par insured. The collateral posting would increase to $375 million if AGC were downgraded to below AA- or A2. The posting of this collateral has no impact on our net income or shareholders' equity nor does it impact AGC's statutory surplus or net income. We currently are negotiating with several other CDS counterparties to further reduce our exposure to possible termination payments. We cannot assure you that any agreement will be reached with any such CDS counterparty.

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In addition to the collateral posting described in the previous paragraph, under a limited number of other CDS contracts, we may be required to post eligible securities as collateral generally cash or U.S. government or agency securities. This requirement is based generally on a mark-to-market valuation in excess of contractual thresholds which decline if our ratings decline. As of the date of this prospectus supplement, we are posting approximately $192.5 million of collateral in respect of approximately $1.6 billion of par insured. Any amounts required to be posted as collateral in the future will depend on changes in the market values of these transactions. If AGC were downgraded below A- or A3, certain of the contractual thresholds would be eliminated and the amount of par that could be subject to collateral posting requirements would be $2.2 billion. The actual amounts posted would be based on market conditions at the time of the posting and the applicable CDS contracts. Any such amounts posted could have a material adverse effect on our liquidity.

Actions taken by the rating agencies with respect to capital models and rating methodology of our business or transactions within our insured portfolio may adversely affect our business, results of operations and financial condition.

Changes in the rating agencies' capital models and rating methodology, including loss assumptions, and the risks in our investment and insured portfolios could require us to hold more capital to maintain our current ratings levels. These changes in methodology or assumptions could require us to hold more capital even if there are no adverse developments with respect any specific investments or insured risks. The rating agencies have recently indicated that they are considering changes to the loss assumptions applied in the stress tests they apply to the portfolios of financial guarantors. These loss assumptions are not always provided to us by the rating agencies and, even if they are provided to us, we may disagree with the rating agency loss assumptions. There can be no assurance that the amount of additional required capital will not be substantial or that such capital will be available to us on favorable terms and conditions or at all. The failure to raise additional required capital could result in a downgrade of our ratings, which could be one or more ratings categories, and thus have an adverse impact on our business, results of operations and financial condition.

Individual credits in our insured portfolio (including potential new credits) are assessed a rating agency "capital charge" based on a variety of factors, including the nature of the credits, their underlying ratings, their tenor and their expected and actual performance. Factors influencing rating agencies' actions are beyond management's control and are not always known to us. In the event of an actual or perceived deterioration in creditworthiness, a reduction in the underlying rating or a change in the rating agency capital methodology, the rating agencies may require us to increase the amount of capital allocated to support the affected credits, regardless of whether losses actually occur, or against potential new business. Significant reductions in underlying ratings of credits in our insured portfolio can produce significant increases in assessed "capital charges", which may require us to seek additional capital. There can be no assurance that our capital position will be adequate to meet such increased reserve requirements or that we will be able to secure additional capital, especially at a time of actual or perceived deterioration in creditworthiness of new or existing credits. Unless we are able to increase its amount of available capital, an increase in capital charges could reduce the amount of capital available to support our ratings and could have an adverse effect on our ability to write new business.

In recent months Fitch, Moody's and S&P have announced the downgrade of, or other negative ratings actions with respect to, a large number of structured finance transactions, including certain transactions that we insure. There can be no assurance that additional securities in our insured portfolio will not be reviewed and downgraded in the future. Moreover, we do not know what portion of the securities in our insured portfolio already have been reviewed by the rating agencies and if, and when, the rating agencies might review additional securities in our insured portfolio or review again securities that have already been reviewed and/or downgraded. Downgrades of credits that we insure will result in higher capital charges to us under the relevant rating agency model or models. If the additional amount of capital required to support such exposures is significant, we could be required to raise additional capital, if available, on terms and conditions that may not be favorable to us, curtail current business writings, or pay to transfer a portion of our in-force business to generate capital for ratings purposes with the goal of maintaining our ratings or suffer ratings downgrades. Such events or actions could adversely affect our results of operations, financial condition, ability to write new business or competitive positioning.

If the current difficult conditions in the U.S. and world-wide financial markets continue for an extended period or intensify, our business, liquidity, financial condition and stock price may be adversely affected.

The volatility and disruption in the global financial markets have reached unprecedented levels. The availability and cost of credit has been materially affected. These factors, combined with volatile oil prices, depressed home prices and increasing foreclosures, falling equity market values, declining business and consumer confidence and the risks of increased inflation and unemployment, have precipitated an economic slowdown and fears of a severe recession. These conditions may adversely affect our profitability, financial position, investment portfolio, cash flow, statutory capital and stock price.

Issuers or borrowers whose securities or loans we hold and counterparties under swaps and other derivative contracts may default on their obligations to us due to bankruptcy, insolvency, lack of liquidity, adverse economic conditions, operational failure, fraud or other reasons. Additionally, the underlying assets supporting our structured securities may deteriorate causing these securities to incur losses. These losses could be significantly more than we expect and could materially adversely impact our financial strength, ratings and prospects for future business.

Our access to funds under its credit facilities is dependent on the ability of the banks that are parties to the facilities to meet their funding commitments. Those banks may not be able to meet their funding commitments to us if they experience shortages of capital and liquidity or if they experience excessive volumes of borrowing requests from us and other borrowers within a short period of time. In addition, consolidation of financial institutions could lead to an increased credit risk.

Some of the state and local governments that issue obligations we insure are experiencing unprecedented budget shortfalls that could result in increased credit losses or impairments on those obligations.

In recent months state and local governments that issue some of the obligations we insure have reported unprecedented budget shortfalls that will require them to significantly raise taxes and/or cut spending in order to satisfy their obligations. While there have been some proposals by the U.S. federal government designed to provide aid to state and local governments, there can be no assurance that any of these proposals will be adopted. If the issuers of the obligations in our public finance portfolio are unable to raise taxes, increase spending, or receive federal assistance, we may experience losses or impairments on those obligations, which would materially and adversely affect our business, financial condition and results of operations.

We may require additional capital in the future, including soft capital and liquidity credit facilities, which may not be available or may be available only on unfavorable terms.

Our capital requirements depend on many factors, including our in force book of business and rating agency capital requirements. To the extent that our existing capital is insufficient to meet these requirements and/or cover losses, we may need to raise additional funds through financings or curtail our growth and reduce our assets. Our access to external sources of financing, as well as the cost of such financing, is dependent on various factors, including market supply of such financing, our long term debt ratings and the insurance financial strength ratings and the perceptions of our financial strength and the financial strength of our insurance subsidiaries. Our debt ratings are influenced by numerous factors, either in absolute terms or relative to our peer group, such as financial leverage, balance sheet strength, capital structure and earnings trends. The current adverse conditions in the credit markets have generally restricted the supply of external sources of financing and increased the cost of such financing when it is available. Equity financings could result in dilution to our shareholders and the securities may have rights, preferences and privileges that are senior to those of our common shares. If our need for capital arises because of significant losses, the occurrence of these losses may make it more difficult for us to raise the necessary capital.

Financial guaranty insurers and reinsurers typically rely on providers of lines of credit, credit swap facilities and similar capital support mechanisms (often referred to as "soft capital") to supplement their "hard capital." The ratings of soft capital providers directly affect the level of capital credit which the rating agencies attribute to the financial guaranty insurer or reinsurer when rating its financial strength. We intend to maintain soft capital facilities with providers having ratings adequate to provide the desired capital credit, although no assurance can be given that one or more of the rating agencies will not downgrade or withdraw the applicable ratings of such providers in the future. In addition, we cannot assure you that an acceptable replacement provider would be available in that event.

We require liquidity in order to pay our operating expenses, interest on our debt and dividends on our common shares, and to make capital investments in our operating subsidiaries. We anticipate that our need for liquidity will be met by (1) the ability of our operating subsidiaries to pay dividends or to make other payments to us, (2) external financings and (3) investment income from our invested assets. Our principal subsidiaries are subject to legal and rating agency restrictions on their ability to pay dividends and make other permitted payments, and external financing may or may not be available to us in the future on satisfactory terms. Our other subsidiaries are subject to legal restrictions on their ability to pay dividends and distributions. In connection with the Acquisition, we have committed that FSA will not pay any dividends for a period of two years from the date of the Acquisition without the written approval of the New York Insurance Department (the "Department"). While we believe that we will have sufficient liquidity to satisfy our needs over the next 12 months, there can be no assurance that adverse market conditions, changes in insurance regulatory law or changes in general economic condition that adversely affect our liquidity will not occur. Similarly, there can be no assurance that adequate liquidity will be available to us on favorable terms in the future.

Liquidity at our operating subsidiaries is used to pay operating expenses, claims, payment obligations with respect to credit derivatives, reinsurance premiums and dividends to Assured Guaranty US Holdings Inc. for debt service and dividends to us, as well as, where appropriate, to make capital investments in their own subsidiaries. While we believe that the operating cash flows of our subsidiaries will be sufficient to meet their needs, we cannot assure you that this will be the case, nor can we assure you that existing liquidity facilities will prove adequate to their needs, or be available to them on favorable terms in the future.

An increase in our subsidiaries' risk-to-capital ratio or leverage ratio may prevent them from writing new insurance.

Rating agencies and insurance regulatory authorities impose capital requirements on our insurance subsidiaries. These capital requirements, which include risk-to-capital ratios, leverage ratios and surplus requirements, limit the amount of insurance that our subsidiaries may write. Our insurance subsidiaries have several alternatives available to control their risk-to-capital ratios and leverage ratios, including obtaining capital contributions from us, purchasing reinsurance or entering into other loss mitigation agreements, or reducing the amount of new business written. However, a material reduction in the statutory capital and surplus of a subsidiary, whether resulting from underwriting or investment losses or otherwise, or a disproportionate increase in the amount of risk in force, could increase a subsidiary's risk-to-capital ratio or leverage ratio. This in turn could require that subsidiary to obtain reinsurance for existing business (which may not be available, or may be available on terms that we consider unfavorable), or add to its capital base to maintain its financial strength ratings. Failure to maintain such ratings could limit that subsidiary's ability to write new business.

Our reinsurance business is primarily dependent on facultative cessions and portfolio opportunities which may not be available to us in the future.

In prior years we have derived a substantial portion of our revenues from financial guaranty reinsurance premiums. During 2009 and the second half of 2008, there was a substantial reduction of direct financial guaranty business underwritten by our principal ceding companies and a reduction in the amount of reinsurance they utilize. As a result, reinsurance treaty and facultative cessions of new business have ceased and we are seeking opportunities to assume financial guaranty portfolios. These portfolio opportunities may not be available to us, which would have an adverse effect on our reinsurance business.

Recent adverse developments in the credit and financial guaranty markets have substantially increased uncertainty in our business and may materially and adversely affect our financial condition, results of operations and future business.

Since mid-2007 there have been adverse developments in the credit and financial guaranty markets. U.S. RMBS transactions issued in recent years are now expected to absorb losses far higher than originally expected by purchasers of these securities and financial guarantors which guaranteed such securities. This poor performance has led to price declines for RMBS securities and the rating agencies downgrading thousands of such transactions. The recent credit crisis has substantially reduced the demand for our structured finance guaranties. These market conditions may also adversely affect us in a number of ways, including requiring us to raise and hold more capital, reduce the demand for our direct guaranties or reinsurance, limit the types of guaranties we offer, encourage new competitors, make losses harder to estimate, make our results more volatile and make it harder to raise new capital.

Our financial guaranty products may subject us to significant risks from individual or correlated credits.

We could be exposed to corporate credit risk if the credit's securities are contained in a portfolio of collateralized debt obligations we insure, or if it is the originator or servicer of loans or other assets backing structured securities that we have insured. A Collateralized Debt Obligation ("CDO") is a debt security backed by a pool of debt obligations. While we track our aggregate exposure to single names in our various lines of business and have established underwriting criteria to manage risk aggregations, there can be no assurance that our ultimate exposure to a single name will not exceed our underwriting guidelines, or that an event with respect to a single name will not cause a significant loss. In addition, because we insure or reinsure municipal bonds, we can have significant exposures to single municipal risks. While the risk of a complete loss, where we pay the entire principal amount of an issue of bonds and interest thereon with no recovery, is generally lower than for corporate credits as most municipal bonds are backed by tax or other revenues, there can be no assurance that a single default by a municipality would not have a material adverse effect on our results of operations or financial condition.

We are exposed to correlation risk across the various assets we insure. During strong periods of macro economic performance, stress in an individual transaction generally occurs in a single asset class or for idiosyncratic reason. During a broad economic downturn, a broader range of our insured portfolio could be exposed to stress at the same time. This stress may manifest itself in downgrades, which may require more capital, or in actual losses.

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Some of our direct financial guaranty products may be riskier than traditional financial guaranty insurance.

A substantial portion of our financial guaranty direct exposures have been assumed as credit derivatives. Traditional financial guaranty insurance provides an unconditional and irrevocable guaranty that protects the holder of a municipal finance or structured finance obligation against non payment of principal and interest, while credit derivatives provide protection from the occurrence of specified credit events, including non payment of principal and interest. In general, we structure credit derivative transactions such that circumstances giving rise to our obligation to make payments is similar to that for financial guaranty policies and generally occurs as losses are realized on the underlying reference obligation. Nonetheless, credit derivative transactions are governed by ISDA documentation and operate differently from financial guaranty insurance policies. For example, our control rights with respect to a reference obligation under a credit derivative may be more limited than when we issue a financial guaranty insurance policy on a direct primary basis. In addition, while our exposure under credit derivatives, like our exposure under financial guaranty insurance policies, has been generally for as long as the reference obligation remains outstanding, unlike financial guaranty insurance policies, a credit derivative may be terminated for a breach of the ISDA documentation or other specific events. In some older credit derivative transactions, one such specified event is the failure of AGC to maintain specified financial strength ratings. If a credit derivative is terminated, we could be required to make a mark-to-market payment as determined under the ISDA documentation.

In addition, under a limited number of credit derivative contracts, we are required to post eligible securities as collateral, generally cash or U.S. government or agency securities. The need to post collateral under these transactions is generally based on mark-to-market valuation in excess of contractual thresholds. The particular thresholds decline if our ratings decline.

See " *A downgrade of the financial strength or financial enhancement ratings of any of our insurance subsidiaries would adversely affect our business and prospects and, consequently, our results of operations and financial condition."*

Competition in our industry may adversely affect our revenues.

The principal sources of direct and indirect competition are other financial guaranty insurance companies and other forms of credit enhancement, which include structural enhancement, letters of credit, and credit derivatives provided by foreign and domestic banks and other financial institutions, some of which are governmental enterprises.

Our financial guaranty reinsurance business is vulnerable to a decline in demand by other financial guaranty insurance companies, as evidenced over the last few years..

New entrants into the financial guaranty industry could have an adverse effect on our prospects either by furthering price competition or by reducing the aggregate demand for our reinsurance as a result of additional insurance capacity.

Recently a new financial guaranty insurer has been licensed to operate in New York and the New York State Insurance Superintendent is encouraging other insurance regulators to rapidly license this new financial guaranty insurer. There have been news reports of other efforts to form new financial guarantors. Increased competition, either in terms of price, alternative structures, or the emergence of new providers of credit enhancement, could have an adverse effect on our business.

We are dependent on key executives and the loss of any of these executives, or our inability to retain other key personnel, could adversely affect our business.

Our success substantially depends upon our ability to attract and retain qualified employees and upon the ability of our senior management and other key employees to implement our business strategy. We believe there are only a limited number of available qualified executives in the business lines in which we compete. Although we are not aware of any planned departures, we rely substantially upon the services of Dominic J. Frederico, our President and Chief Executive Officer, and other executives. Although Mr. Frederico and certain other executives have employment agreements with us, we cannot assure you that we will be able to retain their services. The loss of the services of any of these individuals or other key members of our management team could adversely affect the implementation of our business strategy.

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Our business could be adversely affected by Bermuda employment restrictions.

Our location in Bermuda may serve as an impediment to attracting and retaining experienced personnel. Under Bermuda law, non Bermudians, other than spouses of Bermudians and individuals holding permanent resident certificates or working resident certificates, are not permitted to engage in any gainful occupation in Bermuda without a work permit issued by the Bermuda government. A work permit is only granted or extended if the employer can show that, after a proper public advertisement, no Bermudian, spouse of a Bermudian or individual holding a permanent resident certificate or working resident certificates is available who meets the minimum standards for the position. The Bermuda government's policy places a six year term limit on individuals with work permits, subject to specified exemptions for persons deemed to be key employees. All of our Bermuda based employees who require work permits have been granted permits by the Bermuda government, including our President and Chief Executive Officer, Chief Financial Officer, General Counsel and Secretary, Chief Accounting Officer, Chief Credit Officer, Chief Surveillance Officer and President of AG Re. It is possible that we could lose the services of one or more of our key employees if we are unable to obtain or renew their work permits.

We may be adversely affected by interest rate changes affecting the performance of our investment portfolio.

Our operating results are affected, in part, by the performance of our investment portfolio. Changes in interest rates could also have an adverse effect on our investment income. For example, if interest rates decline, funds reinvested will earn less than expected. Our investment portfolio contains interest rate-sensitive instruments, such as bonds, which may be adversely affected by changes in interest rates. Increases in interest rates will reduce the value of these securities, resulting in unrealized losses that we are required to include in shareholder's equity as a change in accumulated other comprehensive income. Accordingly, interest rate increases could reduce our shareholders' equity.

In addition, our investment portfolio includes mortgage-backed securities. As of March 31, 2009, mortgage-backed securities constituted approximately 28% of our invested assets. As with other fixed maturity investments, the fair market value of these securities fluctuates depending on market and other general economic conditions and the interest rate environment. Changes in interest rates can expose us to significant prepayment risks on these investments. In periods of declining interest rates, mortgage prepayments generally increase and mortgage-backed securities are prepaid more quickly, requiring us to reinvest the proceeds at then-current market rates. During periods of rising interest rates, the frequency of prepayments generally decreases. Mortgage-backed securities having an amortized value less than par (i.e., purchased at a discount) may incur a decrease in yield or a loss as a result of slower prepayment.

Interest rates are highly sensitive to many factors, including monetary policies, domestic and international economic and political conditions and other factors beyond our control. We do not engage in active management, or hedging, of interest rate risk, and may not be able to mitigate interest rate sensitivity effectively.

The performance of our invested assets affects our results of operations and cash flows.

Income from our investment portfolio is one of the primary sources of cash flows supporting our operations and claim payments. For the three months ended March 31, 2009 and the years ended December 31, 2008, 2007 and 2006, our net investment income was $43.6 million, $162.6 million, $128.1 million and $111.5 million, respectively, in each case exclusive of net realized gains (losses) and unrealized gains (losses) on investments. If our calculations with respect to our policy liabilities are incorrect, or if we improperly structure our investments to meet these liabilities, we could have unexpected losses, including losses resulting from forced liquidation of investments before their

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maturity. The investment policies of our insurance subsidiaries are subject to insurance law requirements, and may change depending upon regulatory, economic and market conditions and the existing or anticipated financial condition and operating requirements, including the tax position, of our businesses.

We have retained BlackRock Financial Management ("BlackRock") to manage our investment portfolio. The performance of our invested assets is subject to their performance in selecting and managing appropriate investments. BlackRock has discretionary authority over our investment portfolio within the limits of our investment guidelines.

Our net income may be volatile because a portion of the credit risk we assume is in the form of credit derivatives that are accounted for under FAS 133/149/155, which requires that these instruments be marked-to-market quarterly.

Any event causing credit spreads (i.e., the difference in interest rates between comparable securities having different credit risk) on an underlying security referenced in a credit derivative in our portfolio either to widen or to tighten will affect the fair value of the credit derivative and may increase the volatility of our earnings. Derivatives must be accounted for either as assets or liabilities on the balance sheet and measured at fair market value. Although there is no cash flow effect from this "marking to market," net changes in the fair market value of the derivative are reported in our statement of operations and therefore will affect our reported earnings. If the derivative is held to maturity and no credit loss is incurred, any gains or losses previously reported would be offset by corresponding gains or losses at maturity. Due to the complexity of fair value accounting and the application of FAS 133/149/155, future amendments or interpretations of these accounting standards may cause us to modify our accounting methodology in a manner which may have an adverse impact on our financial results.

Common events that may cause credit spreads on an underlying municipal or corporate security referenced in a credit derivative to fluctuate include changes in the state of national or regional economic conditions, industry cyclicality, changes to a company's competitive position within an industry, management changes, changes in the ratings of the underlying security, movements in interest rates, default or failure to pay interest, or any other factor leading investors to revise expectations about the issuer's ability to pay principal and interest on its debt obligations. Similarly, common events that may cause credit spreads on an underlying structured security referenced in a credit derivative to fluctuate may include the occurrence and severity of collateral defaults, changes in demographic trends and their impact on the levels of credit enhancement, rating changes, changes in interest rates or prepayment speeds, or any other factor leading investors to revise expectations about the risk of the collateral or the ability of the servicer to collect payments on the underlying assets sufficient to pay principal and interest.

Changes in U.S. tax laws could reduce the demand or profitability of financial guaranty insurance, or negatively impact our investment portfolio.

Any material change in the U.S. tax treatment of municipal securities, the imposition of a national sales tax in lieu of the current federal income tax structure in the United States, or changes in the treatment of dividends, could adversely affect the market for municipal obligations and, consequently, reduce the demand for financial guaranty insurance and reinsurance of such obligations.

Changes in U.S. federal, state or local laws that materially adversely affect the tax treatment of municipal securities or the market for those securities, or other changes negatively affecting the municipal securities market, also may adversely impact our investment portfolio, a significant portion of which is invested in tax-exempt instruments. These adverse changes may adversely affect the value of our tax-exempt portfolio, or its liquidity.

Regulatory change could adversely affect our ability to enter into future business.

Future legislative, regulatory or judicial changes in the jurisdictions regulating our Company may adversely affect our ability to pursue our current mix of business, materially impacting our financial results.

The perceived decline in the financial strength of many financial guaranty insurers has caused a number of government officials to question the breadth and complexity of some of the securities guaranteed by financial guaranty insurers. For example, the Department has announced that it is working to develop new rules and regulations for the financial guaranty industry. On September 22, 2008, the Department issued Circular Letter No. 19 (2008) (the "Circular Letter"), which establishes best practices guidelines for financial guaranty insurers effective January 1, 2009. The Department plans to propose legislation and regulations to formalize these guidelines. These guidelines and the related legislation and regulations may limit the amount of new structured finance business that AGC is able to write in future periods. In addition, on June 11, 2009, a new bill was introduced into the New York General Assembly at the request of New York's governor to amend the New York Insurance Law to enhance the regulation of financial guaranty insurers. At this time it is not possible to predict if any such new rules will be implemented or legislation enacted or, if implemented or enacted, the content of the new rules or legislation or their effect on us.

In addition, perceived problems in the credit derivative markets have led to calls for further regulation of credit derivatives at the state or federal level. Changes in the regulation of credit derivatives could materially impact the market demand for derivatives and/or our ability to enter into derivative transactions.

Actions taken at the federal level in response to the current recession could materially affect our business. Such risks include:

- Federal money could be used to capitalize a competitor;
- Federal money provided to the States could adversely impact the demand for insured bonds; and
- Proposals with respect to assistance to mortgage borrowers and/or so called "mortgage cram-down" provisions could affect our ability to realize on the collateral underlying our mortgage-backed transactions.

Our ability to meet our obligations may be constrained by our holding company structure.

Assured Guaranty is a holding company and, as such, has no direct operations of its own. We do not expect to have any significant operations or assets other than our ownership of the shares of our subsidiaries. Dividends and other permitted payments from our operating subsidiaries are expected to be our primary source of funds to meet ongoing cash requirements, including any future debt service payments and other expenses, and to pay dividends to our shareholders. Our insurance subsidiaries are subject to regulatory and rating agency restrictions limiting their ability to declare and to pay dividends and make other payments to us. Furthermore, in connection with the Acquisition, we have committed that FSA will not pay any dividends for a period of two years from the date of the Acquisition without the written approval of the New York Insurance Department. In addition, to the extent that dividends are paid from our U.S. subsidiaries, they presently would be subject to U.S. withholding tax at a rate of 30%. The inability of our insurance subsidiaries to pay sufficient dividends and make other permitted payments to us would have an adverse effect on our ability to satisfy our ongoing cash requirements and on our ability to pay dividends to our shareholders. If we do not pay dividends, the only return on your investment in our Company, if at all, would come from any appreciation in the price of our common shares.

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Our ability to pay dividends may be constrained by certain regulatory requirements and restrictions.

We are subject to Bermuda regulatory constraints that will affect our ability to pay dividends on our common shares and to make other payments. Under the Bermuda Companies Act 1981, as amended (the "Companies Act"), we may declare or pay a dividend out of distributable reserves only (1) if we have reasonable grounds for believing that we are, and after the payment would be, able to pay our liabilities as they become due and (2) if the realizable value of our assets would not be less than the aggregate of our liabilities and issued share capital and share premium accounts. While we currently intend to pay dividends, if you require dividend income you should carefully consider these risks before investing in our company.

There are provisions in our Bye-Laws that may reduce or increase the voting rights of our common shares.

If, and so long as, the common shares of a shareholder are treated as "controlled shares" (as determined under section 958 of the Internal Revenue Code of 1986, as amended (the "Code")) of any U.S. Person (as defined below) and such controlled shares constitute 9.5% or more of the votes conferred by our issued shares, the voting rights with respect to the controlled shares of such U.S. Person (a "9.5% U.S. Shareholder") shall be limited, in the aggregate, to a voting power of less than 9.5%, under a formula specified in our Bye-Laws. The formula is applied repeatedly until the voting power of all 9.5% U.S. Shareholders has been reduced to less than 9.5%. In addition, our Board of Directors may limit a shareholder's voting rights where it deems appropriate to do so to (1) avoid the existence of any 9.5% U.S. Shareholders, and (2) avoid certain material adverse tax, legal or regulatory consequences to us or any of our subsidiaries or any shareholder or its affiliates. "Controlled shares" include, among other things, all shares of Assured Guaranty that such U.S. Person is deemed to own directly, indirectly or constructively (within the meaning of section 958 of the Code).

Under these provisions, certain shareholders may have their voting rights limited to less than one vote per share, while other shareholders may have voting rights in excess of one vote per share. Moreover, these provisions could have the effect of reducing the votes of certain shareholders who would not otherwise be subject to the 9.5% limitation by virtue of their direct share ownership. Our Bye-Laws provide that shareholders will be notified of their voting interests prior to any vote taken by them.

As a result of any reallocation of votes, your voting rights might increase above 5% of the aggregate voting power of the outstanding common shares, thereby possibly resulting in your becoming a reporting person subject to Schedule 13D or 13G filing requirements under the Exchange Act. In addition, the reallocation of your votes could result in your becoming subject to the short swing profit recovery and filing requirements under Section 16 of the Exchange Act.

We also have the authority under our Bye-Laws to request information from any shareholder for the purpose of determining whether a shareholder's voting rights are to be reallocated under the Bye-Laws. If a shareholder fails to respond to our request for information or submits incomplete or inaccurate information in response to a request by us, we may, in our sole discretion, eliminate such shareholder's voting rights.

There are provisions in our Bye-Laws that may restrict the ability to transfer common shares, and that may require shareholders to sell their common shares.

Our Board of Directors may decline to approve or register a transfer of any common shares (1) if it appears to the Board of Directors, after taking into account the limitations on voting rights contained in our Bye-Laws, that any adverse tax, regulatory or legal consequences to us, any of our subsidiaries or any of our shareholders may occur as a result of such transfer (other than such as the Board of Directors considers to be de minimis), or (2) subject to any applicable requirements of or commitments to the NYSE, if a written opinion from counsel supporting the legality of the transaction under U.S. securities laws has not been provided or if any required governmental approvals have not been obtained.

Our Bye-Laws also provide that if our Board of Directors determines that share ownership by a person may result in adverse tax, legal or regulatory consequences to us, any of our subsidiaries or any of our shareholders (other than such as the Board of Directors considers to be de minimis), then we have the option, but not the obligation, to require that shareholder to sell to us or to third parties to whom we assign the repurchase right for fair market value the minimum number of common shares held by such person which is necessary to eliminate such adverse tax, legal or regulatory consequences. See "Description of Share Capital" in the accompanying prospectus.

Applicable insurance laws may make it difficult to effect a change of control of us.

Before a person can acquire control of a U.S. insurance company, prior written approval must be obtained from the insurance commissioner of the state where the domestic insurer is domiciled. Because a person acquiring 10% or more of our common shares would indirectly control the same percentage of the stock of our U.S. insurance company subsidiaries, the insurance change of control laws of Maryland and New York would likely apply to such a transaction.

These laws may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our company, including through transactions, and in particular unsolicited transactions, that some or all of our shareholders might consider to be desirable.

While our Bye-Laws limit the voting power of any shareholder (other than ACE) to less than 10%, there can be no assurance that the applicable regulatory body would agree that a shareholder who owned 10% or more of our common shares did not, notwithstanding the limitation on the voting power of such shares, control the applicable insurance company subsidiary.

Some reinsurance agreement terms may make it difficult to effect a change of control of us.

Some of our reinsurance agreements have change of control provisions that are triggered if a third party acquires a designated percentage of our shares. If these change of control provisions are triggered, the ceding company may recapture some or all of the reinsurance business ceded to us in the past. Any such recapture could adversely affect our future income or ratings. These provisions may discourage potential acquisition proposals and may delay, deter or prevent a change of control of our Company, including through transactions that some or all of our shareholders might consider to be desirable.

Anti-takeover provisions in our Bye-Laws could impede an attempt to replace or remove our directors, which could diminish the value of our common shares.

Our Bye-Laws contain provisions that may make it more difficult for shareholders to replace directors even if the shareholders consider it beneficial to do so. In addition, these provisions could delay or prevent a change of control that a shareholder might consider favorable. For example, these provisions may prevent a shareholder from receiving the benefit from any premium over the market price of our common shares offered by a bidder in a potential takeover. Even in the absence of an attempt to effect a change in management or a takeover attempt, these provisions may adversely affect the prevailing market price of our common shares if they are viewed as discouraging takeover attempts in the future.

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Certain of our foreign subsidiaries may be subject to U.S. tax.

We manage our business so that Assured Guaranty, AG Re and our two U.K. subsidiaries (the "U.K. Subsidiaries") will operate in such a manner that none of them should be subject to U.S. federal tax (other than U.S. excise tax on insurance and reinsurance premium income attributable to insuring or reinsuring U.S. risks, and U.S. withholding tax on certain U.S. source investment income). However, because there is considerable uncertainty as to the activities which constitute being engaged in a trade or business within the United States, we cannot be certain that the Internal Revenue Service ("IRS") will not contend successfully that Assured Guaranty or any of our foreign subsidiaries other than AGRO is/are engaged in a trade or business in the United States. If Assured Guaranty, AG Re or either of our U.K. subsidiaries were considered to be engaged in a trade or business in the United States, each such company could be subject to U.S. corporate income and branch profits taxes on the portion of its earnings effectively connected to such U.S. business.

Assured Guaranty and its Bermuda subsidiaries may become subject to taxes in Bermuda after 2016, which may have a material adverse effect on our results of operations and on your investment.

The Bermuda Minister of Finance, under Bermuda's Exempted Undertakings Tax Protection Act 1966, as amended, has given Assured Guaranty, AG Re and AGRO an assurance that if any legislation is enacted in Bermuda that would impose tax computed on profits or income, or computed on any capital asset, gain or appreciation, or any tax in the nature of estate duty or inheritance tax, then subject to certain limitations the imposition of any such tax will not be applicable to Assured Guaranty or our Bermuda subsidiaries, or any of our or their operations, shares, debentures or other obligations until March 28, 2016. Given the limited duration of the Minister of Finance's assurance, we cannot be certain that we will not be subject to Bermuda tax after 2016.

U.S. Persons who hold 10% or more of our shares directly or through foreign entities may be subject to taxation under tax rules.

Each 10% U.S. Shareholder of a foreign corporation that is a controlled foreign corporation ("CFC") for an uninterrupted period of 30 days or more during a taxable year, and who owns shares in the foreign corporation directly or indirectly through foreign entities on the last day of the foreign corporation's taxable year on which it is a CFC, must include in its gross income for U.S. federal income tax purposes its pro rata share of the CFC's "subpart F income," even if the subpart F income is not distributed. See "Material Tax Considerations."

We believe that because of the dispersion of our share ownership, provisions in our Bye-Laws that limit voting power and other factors, no U.S. Person who owns our common shares directly or indirectly through foreign entities should be treated as a 10% U.S. Shareholder of us or of any of our foreign subsidiaries. It is possible, however, that the IRS could challenge the effectiveness of these provisions and that a court could sustain such a challenge.

U.S. Persons who hold shares may be subject to U.S. income taxation at ordinary income rates on their proportionate share of our related person insurance income ("RPII").

If the gross RPII of AG Re was to equal or exceed 20% of AG Re's gross insurance income in any taxable year and direct or indirect insureds (and persons related to such insureds) own (or are treated as owning directly or indirectly through entities) 20% or more of the voting power or value of our shares, then a U.S. Person who owns our shares (directly or indirectly through foreign entities) on the last day of the taxable year would be required to include in its income for U.S. federal income tax purposes such person's pro rata share of AG Re's RPII for the entire taxable year, determined as if such RPII were distributed proportionately only to U.S. Persons at that date, regardless of whether such income is distributed. In addition, any RPII that is includible in the income of a U.S. tax-exempt organization may be treated as unrelated business taxable income. The amount of RPII earned by AG Re (generally, premium and related investment income from the direct or indirect insurance or reinsurance of any direct or indirect U.S. holder of shares or any person related to such holder) will depend on a number of factors, including the geographic distribution of AG Re's business and the identity of persons directly or indirectly insured or reinsured by AG Re. We believe AG Re did not in prior years of operation and should not in the foreseeable future have either RPII income which equals or exceeds 20% of gross insurance income or have direct or indirect insureds, as provided for by RPII rules, of AG Re (and related persons) directly or indirectly own 20% or more of either the voting power or value of our shares. However, we cannot be certain that this will be the case because some of the factors which determine the extent of RPII may be beyond our control.

U.S. Persons who dispose of our shares may be subject to U.S. income taxation at ordinary income tax rates in a portion of their gain, if any.

The RPII rules provide that if a U.S. Person disposes of shares in a foreign insurance corporation in which U.S. Persons own 25% or more of the shares (even if the amount of gross RPII is less than 20% of the corporation's gross insurance income and the ownership of its shares by direct or indirect insureds and related persons is less than the 20% threshold), any gain from the disposition will generally be treated as dividend income to the extent of the holder's share of the corporation's undistributed earnings and profits that were accumulated during the period that the holder owned the shares (whether or not such earnings and profits are attributable to RPII). In addition, such a holder will be required to comply with certain reporting requirements, regardless of the amount of shares owned by the holder. These RPII rules should not apply to dispositions of our shares because we will not ourselves be directly engaged in the insurance business; however, the RPII provisions have never been interpreted by the courts or the U.S. Treasury Department in final regulations, and regulations interpreting the RPII provisions of the Code exist only in proposed form. It is not certain whether these regulations will be adopted in their proposed form, what changes or clarifications might ultimately be made thereto, or whether any such changes, as well as any interpretation or application of RPII by the IRS, the courts, or otherwise, might have retroactive effect. The U.S. Treasury Department has authority to impose, among other things, additional reporting requirements with respect to RPII. Accordingly, the meaning of the RPII provisions and the application thereof to Assured Guaranty and AG Re is uncertain.

U.S. Persons who hold common shares will be subject to adverse tax consequences if we are considered to be a "passive foreign investment company" for U.S. federal income tax purposes.

If Assured Guaranty is considered a passive foreign investment company ("PFIC") for U.S. federal income tax purposes, a U.S. person who owns any shares of Assured Guaranty will be subject to adverse tax consequences, including subjecting the investor to greater tax liability than might otherwise apply and subjecting the investor to tax on amounts in advance of when tax would otherwise be imposed, which could materially adversely affect your investment. We believe that Assured Guaranty is not, and we currently do not expect Assured Guaranty to become, a PFIC for U.S. federal income tax purposes; however, we cannot assure you that Assured Guaranty will not be deemed a PFIC by the IRS. There are currently no regulations regarding the application of the PFIC provisions to an insurance company. New regulations or pronouncements interpreting or clarifying these rules may be forthcoming. We cannot predict what impact, if any, such guidance would have on an investor that is subject to U.S. federal income taxation.

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Changes in U.S. federal income tax law could materially adversely affect an investment in our common shares.

Legislation has been introduced in the U.S. Congress intended to eliminate certain perceived tax advantages of companies (including insurance companies) that have legal domiciles outside the United States but have certain U.S. connections. For example, legislation has been introduced in Congress to limit the deductibility of reinsurance premiums paid by U.S. companies to foreign affiliates. It is possible that this or similar legislation could be introduced in and enacted by the current Congress or future Congresses that could have an adverse impact on us or our shareholders.

U.S. federal income tax laws and interpretations regarding whether a company is engaged in a trade or business within the United States, is a PFIC, or whether U.S. Persons would be required to include in their gross income the "subpart F income" of a CFC or RPII are subject to change, possibly on a retroactive basis. There currently are no regulations regarding the application of the PFIC rules to insurance companies, and the regulations regarding RPII are still in proposed form. New regulations or pronouncements interpreting or clarifying such rules may be forthcoming. We cannot be certain if, when, or in what form such regulations or pronouncements may be implemented or made, or whether such guidance will have a retroactive effect.

The Organization for Economic Cooperation and Development and the European Union are considering measures that might increase our taxes and reduce our net income.

The Organization for Economic Cooperation and Development (the "OECD") has published reports and launched a global dialogue among member and non-member countries on measures to limit harmful tax competition. These measures are largely directed at counteracting the effects of tax havens and preferential tax regimes in countries around the world. In response to a number of measures taken and commitments by the government of Bermuda, in June 2009, Bermuda was listed as a jurisdiction that has substantially implemented those standards. We are not able to predict what changes will arise from these changes or commitments or whether such changes will subject us to additional taxes.

Risks Related to our Common Shares

The market price of our common shares may be volatile, which could cause the value of your investment to decline.

The market price of our common shares has experienced, and may continue to experience, significant volatility. Numerous factors, including many over which we have no control, may have a significant impact on the market price of our common shares. These risks include those described or referred to in this "Risk Factors" section and in the other documents incorporated herein by reference as well as, among other things:

- our operating and financial performance and prospects;
- our ability to repay our debt;
- our access to financial and capital markets to refinance our debt or replace our existing senior secured credit and receivables-backed facilities;
- investor perceptions of us and the industry and markets in which we operate;
- our dividend policy;
- future sales of equity or equity-related securities;

- changes in earnings estimates or buy/sell recommendations by analysts; and

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general financial, domestic, international, economic and other market conditions.

In addition, the stock market in recent years has experienced extreme price and trading volume fluctuations that often have been unrelated or disproportionate to the operating performance of individual companies. These broad market fluctuations may adversely affect the price of our common shares, regardless of our operating performance.

The common shares are equity securities and are subordinate to our existing and future indebtedness.

The common shares are equity interests. This means the common shares will rank junior to all of our indebtedness and to other non-equity claims on us and our assets available to satisfy claims on us, including claims in a bankruptcy or similar proceeding. Future indebtedness may restrict payment of dividends on the common shares.

Additionally, unlike indebtedness, where principal and interest customarily are payable on specified due dates, in the case of common shares, dividends are payable only when and if declared by our board of directors or a duly authorized committee of the board. Further, the common shares place no restrictions on our business or operations or on our ability to incur indebtedness or engage in any transactions, subject only to the voting rights available to stockholders generally.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common shares.

There may be future sales or other dilution of our equity, which may adversely affect the market price of our common shares. The market price of our common shares could decline as a result of sales of a large number of common shares or similar securities in the market after this offering or the perception that such sales could occur.

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USE OF PROCEEDS

The net proceeds from the sale of the common shares offered hereby (after deducting underwriting discounts and commissions and expenses of the offering) are estimated to be $403,942,500 ($464,608,875 if the underwriters' option to purchase additional common shares is exercised in full).

The net proceeds from the Concurrent Equity Units Offering (after deducting underwriting discounts and commission and expenses of the offering) are estimated to be $145,000,000 ($166,825,000 if the underwriters' option to purchase additional equity units is exercised in full).

We intend to use $363.8 million of the net proceeds of this offering to pay the cash purchase price for the Acquisition. We intend to use the remaining net proceeds from this offering and the net proceeds from the Concurrent Equity Units Offering to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition. Under the Purchase Agreement, we may elect to pay $8.10 per Assured common share in cash in lieu of up to 22,283,951 Assured common shares that we would otherwise deliver as part of the purchase price. Pending such uses, we intend to invest the net proceeds in short-term, interest bearing securities.

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CAPITALIZATION

The following table sets forth, as of March 31, 2009, our consolidated long-term debt and shareholders' equity on an:

- actual basis;
- as adjusted basis to give effect to the Acquisition, the issuance and sale of our common shares in this offering and the use of the net proceeds to pay the cash purchase price for the Acquisition and to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition as described under "Use of Proceeds"; and
- as further adjusted basis to give effect to the issuance of the equity units in the Concurrent Equity Units Offering and to pay cash in lieu of Assured common shares, including Excess Shares, that we would otherwise deliver as part of the purchase price for the Acquisition.

This table assumes that the underwriters' option to purchase additional common shares in this offering and to purchase additional equity units in the Concurrent Equity Units Offering are not exercised. You should read this table in conjunction with our and FSAH's consolidated financial statements and related notes thereto which are incorporated by reference.

	At March 31, 2009		
	Actual	As Adjusted	As Further Adjusted
	(dollars in thousands)		
Long-term debt:			
Assured Guaranty US Holdings Inc.			
7% Senior Notes due 2034	$ 197,452	$ 197,452	$ 197,452
6.40% Series A Enhanced Junior Subordinated Debentures due 2066	149,774	149,774	149,774
Senior notes offered in the Concurrent Equity Units Offering(1)			147,600
Financial Security Assurance Holdings Ltd.:(2)			
$6^7/_8$% Quarterly Interest Bonds due 2101		100,000	100,000
6.25% Notes due 2102		230,000	230,000
5.60% Notes due 2103		100,000	100,000
Junior Subordinated Debentures due 2066		300,000	300,000
Total long-term debt	347,226	1,077,226	1,224,826
Shareholders' equity:			
Common stock ($0.01 par value, 500,000,000 shares authorized, 90,123,385 shares outstanding actual, 150,907,336 shares outstanding as adjusted)	901	1,509	1,509
Preferred stock			
Additional paid-in capital	1,284,093	1,912,235	1,914,635
Retained earnings	738,831	884,705	884,705
Accumulated other comprehensive income	1,768	1,768	1,768
Treasury stock at cost			
Total shareholders' equity	2,025,593	2,800,217	2,802,617
Total capitalization	$3,102,819	$3,877,443	$4,027,443

(1) The senior notes are a component of the Concurrent Equity Units Offering. The "as further adjusted" amount assumes that, in the Concurrent Equity Units Offering, 98.4% of the issue price of an equity unit is allocable to the ownership interest in the senior note and 1.6% is allocable to the purchase contract.

(2) Amounts presented are at par value. Subsequent to the closing of the Acquisition, these amounts will be presented at fair value in our financial statements.

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PRICE RANGE OF COMMON SHARES AND DIVIDEND POLICY

Our common shares have been listed for trading on the NYSE under the symbol "AGO" since April 22, 2004. The following table sets forth on a per share basis the high and low sales prices for consolidated trading in our common shares as reported on the NYSE and dividends for the quarters indicated.

	Price Range of Common Shares		Dividend Paid per Share
	High	Low	
Fiscal Year Ended 2007			
First Quarter	$28.40	$25.90	$ 0.04
Second Quarter	31.99	26.65	0.04
Third Quarter	30.22	21.32	0.04
Fourth Quarter	29.46	13.34	0.04
Fiscal Year Ended 2008			
First Quarter	$26.98	$16.53	$ 0.045
Second Quarter	27.58	17.94	0.045
Third Quarter	20.64	7.95	0.045
Fourth Quarter	16.65	5.49	0.045
Fiscal Year Ended 2009			
First Quarter	$12.79	$ 2.69	$ 0.045
Second Quarter (through June 18, 2009)	16.07	6.48	0.045

The closing price of our common shares on the NYSE on June 18, 2009 was $11.09 per share.

As of June 12, 2009, there were approximately 15,000 holders of record of our common shares. This number excludes beneficial owners of common shares held in "street name."

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SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF ASSURED GUARANTY LTD.

The following table sets forth selected historical financial and other data of Assured and, except as otherwise indicated below, is derived from our audited consolidated financial statements and unaudited consolidated financial statements. The interim financial data have been derived from Assured's unaudited financial statements and include, in the opinion of Assured's management, all adjustments (consisting only of normal recurring adjustments) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year.

You should read the following information in conjunction with Assured's financial statements and notes thereto and the other financial information included or incorporated by reference in this prospectus supplement and the accompanying prospectus.

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	Three Months Ended March 31,		Year Ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)						
	(dollars in millions, except per share amounts)						
Statement of Operations Data:							
Net earned premiums(1)	$ 148.4	$ 46.8	$ 261.4	$ 159.3	$ 144.8	$ 139.4	$ 98.7
Net investment income	43.6	36.6	162.6	128.1	111.5	96.8	94.8
Net realized investment (losses) gains	(17.1)	0.6	(69.8)	(1.3)	(2.0)	2.2	12.0
Realized gains and other settlements on credit derivatives	20.6	27.6	117.6	74.0	73.9	57.1	(13.1)
Unrealized gains (losses) on credit derivatives	27.0	(259.6)	38.0	(670.4)	11.8	4.4	137.4
Other income(2)	20.6	8.5	43.4	8.8	0.4	0.2	0.8
Total revenues	243.1	(139.4)	553.2	(301.6)	340.4	300.3	330.5
Loss and loss adjustment expenses (recoveries)(1)	79.8	55.1	265.8	5.8	11.3	(63.9)	(48.2)
Profit commission expense	0.3	1.2	1.3	6.5	9.5	12.9	15.5
Acquisition costs	23.4	11.9	61.2	43.2	45.2	45.4	49.7
Operating expenses	32.3	28.6	83.5	79.9	68.0	59.0	67.8
Interest expense	1.4	0.7	5.7	2.6	2.5	3.7	1.6
Other expense	5.8	5.8	23.3	23.5	13.8	13.5	10.7
Total expenses	143.0	103.4	440.9	161.4	150.4	70.7	97.2
Income (loss) before provision (benefit) for income taxes	100.1	(242.8)	112.3	(463.0)	190.0	229.6	233.3
Provision (benefit) for income taxes	14.6	(73.6)	43.4	(159.8)	30.2	41.2	50.5
Net income (loss)	$ 85.5	$ (169.2)	$ 68.9	$ (303.3)	$ 159.7	$ 188.4	$ 182.8
Earnings (loss) per share:(3)							
Basic	$ 0.94	$ (2.09)	$ 0.78	$ (4.38)	$ 2.15	$ 2.51	$ 2.42
Diluted	$ 0.93	$ (2.09)	$ 0.77	$ (4.38)	$ 2.13	$ 2.50	$ 2.42
Dividends per share	$ 0.045	$ 0.045	$ 0.18	$ 0.16	$ 0.14	$ 0.12	$ 0.06
Balance sheet data (end of period):							
Investments and cash	$ 3,812.3	$ 3,317.0	$ 3,643.6	$ 3,147.9	$ 2,469.9	$ 2,256.0	$ 2,157.9
Prepaid reinsurance premiums	23.7	17.5	18.9	13.5	4.5	9.5	11.8
Total assets	5,588.3	4,062.0	4,555.7	3,762.9	2,931.6	2,689.8	2,689.0
Unearned premium reserves	2,153.3	1,014.2	1,233.7	887.2	631.0	524.6	507.2
Reserves for losses and loss adjustment expenses	222.6	177.7	196.8	125.6	115.9	117.4	217.2
Credit derivative liabilities (assets), net	557.0	881.6	586.8	617.6	(49.0)	(35.8)	(31.3)
Long-term debt	347.2	347.2	347.2	347.1	347.1	197.3	197.4
Total liabilities	3,562.7	2,569.4	2,629.5	2,096.4	1,280.8	1,028.3	1,161.4
Accumulated other comprehensive income	1.8	51.6	2.9	56.6	41.9	45.8	79.0
Shareholders' equity	2,025.6	1,492.7	1,926.2	1,666.6	1,650.8	1,661.5	1,527.6
Book value per share	22.48	18.63	21.18	20.85	24.44	22.22	20.19
Financial Ratios:							
Loss and loss adjustment expense ratio(4)	45.4%	78.1%	81.4%	3.4%	(3.3)%	(35.0)%	(17.0)%
Expense ratio(5)	31.4%	56.1%	38.7%	55.8%	59.2%	58.9%	65.4%
Combined ratio(6)	76.8%	134.2%	120.1%	59.2%	55.9%	23.9%	48.4%
Combined statutory financial information:							
Contingency reserve(7)	$ 770.0	$ 637.0	$ 728.4	$ 598.5	$ 645.8	$ 572.9	$ 491.8
Policyholders' surplus	1,405.0	1,526.0	1,578.4	1,489.9	1,010.0	977.3	906.2
Additional financial guaranty information (end of period)							
Net in-force business (principal and interest)	$ 357,216	$ 329,833	$ 348,816	$ 302,413	$ 180,174	$ 145,694	$ 136,120
Net in-force business (principal only)	237,176	214,876	222,722	200,279	132,296	102,465	95,592

* Some amounts may not add due to rounding.

(1) In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that we 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 risk management

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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. As a result of the adoption of FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. 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 included in the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2009, which is incorporated by reference herein.

(2)

Other income for three months ended March 31, 2009 and the years ended December 31, 2008 and 2007 included a change in fair value of $19.7 million, $8.5 million, $42.7 million and $8.3 million related to AGC.'s committed capital securities entered into in April 2005. The change in fair value was $0 in 2006 and 2005.

(3)

Effective January 1, 2009, the Company adopted FSP, which clarifies that share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities and shall be included in the calculation of basic and diluted EPS. Upon retrospective adoption of the FSP, Assured decreased previously reported basic loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported basic EPS by $0.03, $0.04 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. Upon retrospective adoption of the FSP, Assured decreased previously reported diluted loss per share by $0.02 and $0.08 for the three months ended March 31, 2008 and the year ended December 31, 2007, respectively, and decreased previously reported diluted EPS by $0.02, $0.03 and $0.02 for the years ended December 31, 2006, 2005 and 2004, respectively. There was no impact on both previously reported basic and diluted EPS for 2008.

(4)

Loss and loss adjustment expense 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 received and receivable, which is included in realized gains and other settlements on credit derivatives.

(5)

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 received and receivable, which is included in realized gains and other settlements on credit derivatives.

(6)

Combined ratio, which is a non-GAAP financial measure, is the sum of the loss and loss adjustment expense ratio and the expense ratio.

(7)

Under U.S. statutory accounting principles, financial guaranty and mortgage guaranty insurers are required to establish contingency reserves based on a specified percentage of premiums. A contingency reserve is an additional liability established to protect policyholders against the effects of adverse economic developments or cycles or other unforeseen circumstances.

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SELECTED HISTORICAL FINANCIAL AND OTHER DATA OF FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

The following table sets forth selected historical financial data for FSAH. The annual financial data have been derived from FSAH's audited financial statements. The interim financial data have been derived from FSAH's unaudited financial statements and include, in the opinion of FSAH's management, all adjustments (consisting only of normal recurring adjustments and entries required to record the February 2009 Risk Transfer Transaction) necessary for a fair presentation of the financial data. The results for the three-month periods do not necessarily indicate the results to be expected for the full year. Furthermore, FSAH's financial statements for periods prior to December 31, 2008 include FSAH's GIC operations, which were the subject of the February 2009 Risk Transfer Transaction, and FSAH's other Financial Products businesses which we are not acquiring.

You should read the following information in conjunction with FSAH's financial statements and notes thereto and other financial information included or incorporated by reference into this prospectus supplement and the accompanying prospectus.

	Three Months Ended March 31,		Year ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)		(dollars in millions)				
Summary of Operations Data(1):							
Revenues							
Net premiums earned(2)	$ 78.5	$ 72.9	$ 376.6	$ 317.8	$ 301.5	$ 314.9	$ 325.9
Net investment income from general investment portfolio	62.1	64.8	264.2	236.7	218.9	200.8	172.1
Net change in fair value of credit derivatives:							
Realized gains (losses) and other settlements	(45.8)	36.2	126.9	102.8	87.2	89.2	69.1
Net unrealized gains (losses)	573.2	(489.1)	(745.0)	(642.6)	31.8	11.1	56.4
Net change in fair value of credit derivatives	527.4	(453.0)	(618.1)	(539.8)	119.0	100.3	125.5
Net interest income from financial products segment	34.4	208.8	647.4	1,079.6	858.2	487.9	194.7
Net realized gains (losses) from financial products segment	(278.4)		(8,644.2)	1.9	0.1	(7.5)	2.2
Net realized and unrealized gains (losses) on derivative instruments	(180.5)	430.8	1,424.5	62.8	131.4	(183.6)	272.9
Net unrealized gains (losses) on financial instruments at fair value	425.4	(411.4)	130.4	14.0	3.6		
Expenses							
Losses and loss adjustment expenses(2)	350.9	300.4	1,877.7	31.6	23.3	25.4	20.6
Foreign exchange (gains) losses from financial products segment	(16.6)	13.3	1.7	138.5	159.4	(189.8)	91.3
Net interest expense from financial products segment	127.4	239.3	794.3	989.2	768.7	491.6	267.6
Income (loss) before provision (benefit) for income taxes and equity in losses of unconsolidated subsidiaries	165.3	(685.4)	(9,315.5)	(181.9)	522.8	465.1	580.5
Provision (benefit) for income taxes	153.7	(263.8)	(872.4)	(116.2)	150.7	126.9	110.6
Net income (loss)	11.5	(421.6)	(8,443.2)	(65.7)	372.2	337.3	466.0
Less: noncontrolling interest					(52.0)	11.2	87.4
Net income (loss) of FSAH and subsidiaries	$ 11.5	$ (421.6)	$ (8,443.2)	$ (65.7)	$ 424.2	$ 326.1	$ 378.6

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	Three Months Ended March 31,		Year ended December 31,				
	2009	2008	2008	2007	2006	2005	2004
	(unaudited)		(dollars in millions)				
Balance Sheet Data(1)(end of period):							
Assets							
General investment portfolio, available for sale	$ 5,872.3	$ 5,684.2	$ 5,935.5	$ 5,191.9	$ 4,872.4	$ 4,595.5	$ 4,281.8
Financial products segment investment portfolio	805.0	16,157.8	10,302.0	19,213.2	17,537.1	14,002.0	9,546.7
Assets acquired in refinancing transactions	182.8	213.5	166.6	229.3	337.9	467.9	749.2
Prepaid reinsurance premiums	1,385.9	1,129.2	1,011.9	1,119.6	999.5	859.4	754.3
Note receivable from affiliate(3)	13,576.3						
Total assets	24,891.3	27,203.1	20,258.1	28,318.7	25,764.7	22,000.1	17,079.0
	Three Months Ended March 31,		**Year ended December 31,**				
	2009	**2008**	**2008**	**2007**	**2006**	**2005**	**2004**
	(unaudited)		**(dollars in millions)**				
Liabilities and shareholders' equity							
Deferred premium revenue	3,991.4	3,002.7	3,044.7	2,870.6	2,621.5	2,339.0	2,063.8
Losses and loss adjustment expenses	2,017.7	526.3	1,779.0	274.6	228.1	205.7	179.9
Financial products segment debt	14,180.3	20,888.9	16,432.3	21,400.2	18,349.7	14,947.1	10,444.1
Notes payable	730.0	730.0	730.0	730.0	730.0	430.0	430.0
Total liabilities	22,609.3	27,158.5	25,442.3	26,740.6	23,042.1	18,996.8	14,289.1
Total shareholders' equity (deficit) of FSA Holdings and subsidiaries	2,281.7	44.3	(5,184.5)	1,577.8	2,722.3	2,822.9	2,611.3
Noncontrolling interest	0.3	0.3	0.3	0.3	0.3	180.4	178.6
Shareholders' equity (deficit)	2,282.0	44.6	(5,184.2)	1,578.1	2,722.6	3,003.3	2,789.9
Additional Data:							
Qualified statutory capital(4)	$ 1,980.4	$ 3,012.9	$ 1,992.4	$ 2,703.1	$ 2,554.1	$ 2,417.5	$ 2,280.9
Total claims-paying resources(5)	7,357.4	7,483.3	7,713.1	6,738.8	6,055.8	5,675.8	5,230.6
Total dividends		33.6	33.6	122.0	530.0	71.1	22.9
Exposure:							
Net par outstanding	$ 417,306	$ 414,128	$ 408,530	$ 406,457	$ 359,560	$ 337,483	$ 317,743
Net insurance in force (principal and interest)	616,364	614,268	611,448	598,306	531,421	480,185	444,512

(1) Prepared in accordance with accounting principles generally accepted in the United States of America.

(2) In May 2008, the Financial Accounting Standards Board issued FAS 163, which requires that FSAH 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 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. As a result of the adoption of FAS 163, net premiums earned and loss and loss adjustment expenses are not comparable between 2008 and 2009 periods. The expanded risk management activity disclosure provisions of FAS 163 were effective for the third quarter of 2008 and were included in FSAH's consolidated financial statements for those periods. FAS 163 will be applied to all existing and future financial guaranty insurance contracts written by FSAH. FAS 163 mandates the accounting changes proscribed by the statement be recognized by FSAH as a cumulative effect adjustment to retained earnings as of January 1, 2009. The impact of adopting FAS 163 on FSAH's balance sheet was included in FSAH's Quarterly Report on Form 10-Q for the quarter ended March 31, 2009, which is incorporated herein by reference.

(3) The GIC subsidiaries, unlike FSA Asset Management LLC ("FSAM"), remain part of FSAH's consolidated financial statements, which means that the GICs issued to third parties and the GIC Subsidiaries' note receivable from FSAM of $13.6 billion (the "Note Receivable from Affiliate") represent the liabilities and assets of the GIC business in FSAH's consolidated financial statements. The Note Receivable from Affiliate is carried at net realizable value, which is

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periodically evaluated for impairment. Prior to February 24, 2009, the Note Receivable from Affiliate was eliminated in consolidation.

(4) Amounts are statutory data for FSA and therefore differ from comparable GAAP amounts.

(5) Total claims-paying resources is used by Moody's to evaluate adequacy of capital resources and credit ratings. Moody's uses its judgment in making adjustments to some of the measures. This term represents the sum of statutory capital, statutory unearned premium reserve, present value of future net installment premiums, statutory loss reserve, credit available under standby line of credit facility and money market committed preferred trust securities.

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UNAUDITED PRO FORMA COMBINED CONDENSED FINANCIAL INFORMATION

The following unaudited pro forma combined condensed financial statements of Assured have been prepared to assist you in your analysis of the financial effects of the Acquisition. The unaudited pro forma combined condensed financial statements were prepared using the historical consolidated financial statements of Assured and FSAH. This information should be read in conjunction with, and is qualified in its entirety by, the consolidated financial statements and accompanying notes of Assured and FSAH included in or incorporated by reference into this prospectus supplement.

The accompanying unaudited pro forma combined condensed financial statements give effect to the transfer by FSAH to Dexia Holdings of the stock of the Financial Products Companies as well as the transfer of the remaining liquidity and credit risk of the GIC operations to Dexia, which we refer to in the following tables as the "FP Business Distribution," and the Acquisition, assuming a purchase price of $544.5 million in cash and the issuance of 22,283,951 Assured common shares, using the purchase method of accounting. The pro forma adjustments related to the Acquisition are preliminary and do not reflect the final allocation of the excess of the purchase price over the net book value of the assets of FSAH, as the process to assign a fair value to the various tangible and intangible assets acquired has not been completed. Final adjustments are likely to result in a materially different purchase price adjustment, debt components and allocation of the purchase price, which will affect the value assigned to the tangible or intangible assets and amount of interest expense and depreciation and amortization expense recorded in the statement of operations. The effect of the changes to the statements of operations will depend on the final purchase price, the nature and amount of debt issued and assumed and the nature and amount of the final purchase price allocation and could be material.

Assured and FSAH are in the process of reviewing their accounting and reporting policies and, as a result of this review, it may be necessary to adjust FSAH's financial statements to conform to the accounting policies of Assured. While some adjustments have been included in the unaudited pro forma combined condensed financial information included in this prospectus supplement, further adjustments may be necessary upon completion of this review. Final determination of financial statement presentation will be completed upon consummation of the Acquisition. Additionally, the historical financial statements and the pro forma adjustments were prepared under US GAAP. Effective January 1, 2009, Assured and FSAH adopted FAS 163, which significantly changed the accounting for financial guaranty insurance.

The pro forma financials do not reflect revenue opportunities and cost savings that we expect to realize after the Acquisition. We cannot assure you with respect to the estimated revenue opportunities and operating cost savings that are expected to be realized as a result of the Acquisition. The pro forma financial information also does not reflect non-recurring charges related to integration activity or exit costs that may be incurred by Assured or FSAH in connection with the Acquisition.

The unaudited pro forma combined condensed balance sheet assumes that the transactions of FSAH took place on March 31, 2009. The unaudited pro forma combined condensed statements of operations for the year ended December 31, 2008 and the three months ended March 31, 2009 assume that the transaction took place the first day of the period presented (i.e., January 1, 2008). Reclassifications have been made to the statements of operations of FSAH to conform it to Assured's financial statement classifications.

The pro forma financial information is based on the estimates and assumptions set forth in the notes to such information. The pro forma financial information is preliminary and is being furnished solely for information purposes and, therefore, is not necessarily indicative of the combined results of operations or financial position that might have been achieved for the dates or periods indicated, nor is it necessarily indicative of the results of operations or financial position that may occur in the future.

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Assured Guaranty Ltd. and Subsidiaries
Unaudited Pro Forma Combined Condensed Balance Sheet
As of March 31, 2009
(dollars in thousands)

	Assured As Reported	FSA As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Assets							
General investment portfolio, available for sale:							
Fixed maturity securities, at fair value	$ 3,176,178	$ 5,383,175	$		$		$ 8,559,353
Equity securities, at fair value		573					573
Short-term investments, at cost which approximates fair value	616,834	488,561					1,105,395
Financial products segment investment portfolio:							
Fixed maturity securities, at fair value		796,129	(796,129)	(1)			
Short-term investments, at cost which approximates fair value		8,910	(8,910)	(1)			
Trading portfolio at fair value							
Assets acquired in refinancing transactions		182,812					182,812
Total investments	**3,793,012**	**6,860,160**	**(805,039)**				**9,848,133**
Cash and cash equivalents	19,328	55,280			(10,873)	(10)	63,735
Deferred acquisition costs	382,525	297,562			(297,562)	(3)	382,525
Note receivable from affiliate		13,576,303	(13,576,303)	(1)			
Prepaid reinsurance premiums	23,655	1,385,908			(406,086)	(2)	1,003,476
Premium receivable	748,414	815,819					1,564,233
Reinsurance recoverable on ceded losses	7,763	325,812			(7,192)	(2)	326,383
Credit derivative assets	149,798	126,385					276,183
Deferred income taxes	117,560	580,900	31,443	(1)	487,516	(11)	1,217,419
VIE assets					1,147,605	(5)	1,147,605
Other assets	346,273	867,200	(432,301)				781,172
Total assets	**$ 5,588,328**	**$ 24,891,329**	**$ (14,782,200)**		**$ 913,407**		**$ 16,610,864**

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	Assured As Reported	FSA As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Liabilities and shareholders' equity							
Liabilities							
Unearned premium reserves	$ 2,153,312	$ 3,991,368	$		$ (406,086)	(2)	$ 7,465,338
					1,726,744	(6)	
Reserves for losses and loss adjustment expenses	222,555	2,017,675		(1)	(7,192)	(2)	2,233,038
Senior Notes/Notes Payable	197,452	430,000			(391,403)		236,049
Series A Enhanced Junior Subordinated Debentures	149,774	300,000			(240,000)		209,774
Goodwill					145,874	(8)	
					(145,874)	(9)	
Credit derivative liabilities	706,768	816,633					1,523,401
Financial products segment debt		14,180,258	(14,180,258)	(1)			
VIE liabilities					1,147,605	(5)	1,147,605
Mandatory Convertible Equity Units					147,600	(10)	147,600
Other liabilities and minority interest	132,874	873,365	(160,796)	(1)			845,443
Total liabilities	**3,562,735**	**22,609,299**	**(14,341,054)**		**1,977,267**		**13,810,647**
Commitments and contingencies							
Shareholders' equity							
Common stock	901	335			(335)	(7)	1,509
					608	(10)	
Additional paid-in capital	1,284,093	9,365,755	(7,754,971)	(1)	(1,610,784)	(7)	1,914,635
					630,542	(10)	
Retained earnings	738,831	(7,089,937)	7,316,746	(1)	(226,809)	(7)	884,705
					145,874	(9)	
Purchase price							
Non-controlling interest		250	(250)	(1)			
Accumulated other comprehensive income (loss)	1,768	6,712	(2,671)	(1)	(4,041)	(7)	1,768
Deferred equity compensation		13,052			(13,052)	(7)	
Less treasury stock at cost		(14,137)			14,137	(7)	
Total shareholders' equity	**2,025,593**	**2,282,030**	**(441,146)**		**(1,063,860)**		**2,802,617**
Total liabilities and shareholders' equity	**$ 5,588,328**	**$ 24,891,329**	**$ (14,782,200)**		**$ 913,407**		**$ 16,610,864**

See accompanying notes to unaudited pro forma combined condensed financial statements, including Note 2 for an explanation of the preliminary pro forma adjustments.

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Assured Guaranty Ltd. and Subsidiaries
Unaudited Pro Forma Combined Condensed Statements of Operations
For the Year Ended December 31, 2008
(dollars in thousands, except per share amounts)

	Assured As Reported	FSAH As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Revenues							
Net earned premiums	$ 261,398	$ 376,573	$		$ 158,700	(b)	$ 796,671
Net investment income	162,558	264,181					426,739
Net realized investment losses	(69,801)	(6,669)					(76,470)
Change in fair value of credit derivatives							
Realized gains and other settlements on credit derivatives	117,589	126,891					244,480
Unrealized gains (losses) on credit derivatives	38,034	(744,963)					(706,929)
Net change in fair value of credit derivatives	155,623	(618,072)					(462,449)
Net interest income from financial products segment		647,366	(647,366)	(a)			
Net realized (losses) gains from financial products segment		(8,644,183)	8,644,183	(a)			
Net realized and unrealized gains (losses) on derivative instruments		1,424,522	(1,424,237)	(a)			285
Net unrealized gains (losses) on financial instruments at fair value		130,363	(47,563)	(a)			82,800
Income from assets acquired in refinancing transactions		11,154					11,154
Other income	43,410	(16,199)	69	(a)			27,280
Total revenues	**553,188**	**(6,430,964)**	**6,525,086**		**158,700**		**806,010**
Expenses							
Loss and loss adjustment expenses	265,762	1,877,699					2,143,461
Profit commission expense	1,336						1,336
Acquisition costs	61,249	65,700			(65,700)		61,249
Other operating expenses	83,493	98,871	(43,241)	(a)			139,123
Foreign exchange losses (gains) from financial products segment		1,652	(1,652)	(a)			
Interest expense	23,283	46,335	12,120	(a)	6,314	(c)	103,052
					15,000	(e)	
Net interest expense from financial products segment		794,308	(794,308)	(a)			
Other expense	5,734						5,734
Total expenses	**440,857**	**2,884,565**	**(827,081)**		**(44,386)**		**2,453,955**
Income (loss) before provision (benefit) for income taxes	112,331	(9,315,529)	7,352,167		203,086		(1,647,945)
Provision (benefit) for income taxes	43,448	(872,359)	182,688	(a)	71,080		(575,143)
Net (loss)	**$ 68,883**	**$ (8,443,170)**	**$ 7,169,479**		**$ 132,006**		**$ (1,072,802)**

Net loss per diluted share	$	(7.17)

See accompanying notes to unaudited pro forma combined condensed financial statements, including Note 2 for an explanation of the preliminary pro forma adjustments.

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Assured Guaranty Ltd. and Subsidiaries
Unaudited Pro Forma Combined Condensed Statements of Operations
For the Quarter Ended March 31, 2009
(dollars in thousands, except per share amounts)

	Assured As Reported	FSA As Reported	Pro Forma Adjustments for Carve Out of Financial Products Segment	Notes	Pro Forma Adjustments For Acquisition	Notes	Pro Forma Combined
Revenues							
Net earned premiums	$ 148,446	$ 78,523	$		$ 36,663	(b)	$ 263,632
Net investment income	43,601	62,117					105,718
Net realized investment losses	(17,110)	(5,922)					(23,032)
Change in fair value of credit derivatives							
Realized gains and other settlements on credit derivatives	20,579	(45,754)					(25,175)
Unrealized (losses) gains on credit derivatives	26,982	573,194					600,176
Net change in fair value of credit derivatives	47,561	527,440					575,001
Net interest income from financial products segment		34,355	(34,355)	(a)			
Net realized gains (losses) from financial products segment		(278,359)	278,359	(a)			
Interest income on note receivable from affiliate		35,447	(35,447)	(a)			
Net realized and unrealized gains (losses) on derivative instruments		(180,483)	180,479	(a)			(4)
Net unrealized gains (losses) on financial instruments at fair value		425,356	(386,637)	(a)			38,719
Income from assets acquired in refinancing transactions		2,172					2,172
Other income	20,568	(14,743)					5,825
Total revenues	**243,066**	**685,903**	**2,399**		**36,663**		**968,031**
Expenses							
Loss and loss adjustment expenses	79,754	350,858					430,612
Profit commission expense	255						255
Acquisition costs	23,421	8,999			(8,999)	(f)	23,421
Other operating expenses	32,318	37,435	(8,319)	(a)			61,434
Foreign exchange (gains) losses from financial products segment		(16,588)	16,588	(a)			
Interest expense	5,821	12,510	1,603	(a)	1,579	(c)	25,263
					3,750	(e)	
Net interest expense from financial products segment		127,422	(127,422)	(a)			
Other expense	1,400						1,400
Total expenses	**142,969**	**520,636**	**(117,550)**		**(3,670)**		**542,385**

(Loss) income before (benefit) provision for income taxes	100,097	165,267	119,949		40,334		425,647
(Benefit) provision for income taxes	14,608	153,722	5,913	(a)	14,117	(d)	188,360
Net income	**$ 85,489**	**$ 11,545**	**$ 114,036**		**$ 26,217**		**$ 237,287**
Net income per diluted share							$ 1.55

See accompanying notes to unaudited pro forma combined condensed financial statements, including Note 2 for an explanation of the preliminary pro forma adjustments.

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Assured Guaranty Ltd.
Notes to Unaudited Pro Forma Combined Condensed Financial Statements

Note 1 Basis of Pro Forma Presentation

The unaudited pro forma combined condensed balance sheet data shows the estimated effects of the Acquisition as if it had occurred on March 31, 2009. The unaudited pro forma combined condensed statements of operations data for the year ended December 31, 2008 and the three months ended March 31, 2009 show the estimated effects of the Acquisition as if it had occurred on the first day of the periods presented (*i.e.*, January 1, 2008).

The Carve Out of Financial Products Segment and Adjustments For Acquisition columns represent adjustments to present the historic consolidated financial statements of Assured and FSAH to conform to the preliminary presentation of such information for the combined entity as discussed below. For purposes of identifying the transactions that give rise to the changes on the financial statements, numerical references are provided to reflect where balances have been adjusted.

Assured and FSAH are in the process of reviewing their accounting and reporting policies and, as a result of this review, it may be necessary to adjust FSAH's financial statements to conform to the accounting policies of Assured. While some adjustments have been included in the unaudited pro forma combined condensed financial information included in this prospectus supplement, further adjustments may be necessary upon completion of this review. Final determination of financial statement presentation will be completed upon consummation of the Acquisition. Additionally, the historical financial statements and the pro forma adjustments were prepared under US GAAP. Effective January 1, 2009, Assured and FSAH adopted FAS 163, which significantly changed the accounting for financial guaranty insurance.

Historically, Assured and FSAH engaged in reinsurance transactions together. The effects of material intercompany transactions have been eliminated from the accompanying unaudited pro forma combined financial information.

The pro forma adjustments reflect the payment of $544.5 million in cash and issuance of 22,283,951 Assured common shares to Dexia Holdings. The pro forma adjustments assume funds for the $544.5 million cash payment were obtained from the issuance of an additional 38,500,000 Assured common shares to the public at a purchase price of $11.00 per share, the public offering price set forth on the cover page of this prospectus supplement, and the issuance of $150 million of equity units.

The Acquisition will be accounted for using the purchase method of accounting effective on January 1, 2009 in accordance with FAS No. 141, *Business Combinations,* as revised in 2007 ("FAS 141R"). Assured will be the acquiring entity for financial reporting purposes. Under the purchase method of accounting, the acquisition price will be allocated to the tangible and intangible assets and liabilities assumed of the acquired entity based on their estimated fair values, with any excess being recognized as goodwill and any deficit being recognized as an extraordinary gain to net income in the first reporting period after the deal closes. Costs of the Acquisition are expensed in the period in which the expenses are incurred.

In addition, as explained in more detail in the accompanying notes to the unaudited pro forma combined condensed financial statements, the resulting extraordinary gain reflected in the unaudited pro forma combined condensed financial statements is subject to adjustment. The adjustments included in these unaudited pro forma combined condensed financial statements are preliminary and may be revised. Based on the preliminary adjustments and allocation of purchase price, the fair value of FSAH's pro forma net assets at March 31, 2009 exceeds the purchase price by $145.9 million. This results in negative goodwill. Any negative goodwill will be recognized as an extraordinary gain in the combined results of operations in the first reporting period subsequent to consummation of the Acquisition. After completing a fair value analysis of FSAH's assets and liabilities as of the closing

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date, the final allocation of negative goodwill to nonfinancial assets and the amount of the extraordinary gain will be determined. The final purchase price allocation and purchase accounting adjustments may be materially different from the unaudited pro forma adjustments presented in the document.

Note 2 Unaudited Pro Forma Adjustments

Unaudited Pro Forma Condensed Consolidated Balance Sheet

Carve Out of Financial Products Segment

(1) Adjustment to carve out amounts attributable to the Financial Products Companies from consolidated FSAH balances. Under the Purchase Agreement, we have agreed to acquire FSAH. Assured is not acquiring the Financial Products Companies. Assured expects FSAH to distribute certain of the Financial Products Companies to Dexia Holdings or one of its affiliates. Under the Purchase Agreement, Assured and Dexia Holdings have agreed to negotiate a number of agreements pursuant to which Dexia Holdings would guarantee or otherwise take responsibility for the assets and liabilities of the financial products business. This pro forma adjustment shows the estimated effects of these agreements, which will be entered into at the closing of the Acquisition.

Adjustments for Acquisition

(2) Adjustment to eliminate amounts attributable to reinsurance activity between Assured and FSAH entities.

(3) Adjustment to write off FSAH deferred acquisition costs as part of purchase GAAP accounting.

(4) Adjustment to record the debt Assured acquired from FSAH at fair value. Refer to Note 11 of the notes to FSAH's consolidated financial statements for the year ended December 31, 2008 for a description of the material terms related to this debt, which have been incorporated by reference into this prospectus supplement. The debt matures beginning in 2036 with the final obligation maturing in 2103. The coupon rates are considerably lower than the rates that would apply to comparable debt issued today. Accordingly, the adjustment reflects the changes in credit spreads from when the debt was originally entered into and current credit spreads in the market.

(5) Adjustment to reflect assets and liabilities of variable interest entities at their carrying values that will need to be consolidated pursuant to the guidance of FASB Interpretation No. 46 (revised December 2003) "*Consolidation of Variable Interest Entities*" ("FIN 46R"). This adjustment is based on Assured's preliminary evaluation of variable interest entities whereby the combined variable interest of FSAH and Assured would lead us to conclude that the combined entity is the primary beneficiary as defined by FIN 46R and, therefore, that we would need to consolidate these entities.

(6) Adjustment to record at fair value FSAH's unearned premium reserves. Adjustment reflects the amount that a financial guaranty insurance company with a similar credit rating would require to assume the policies for which FSAH has already been paid premiums in full (typically referred to as up-front policies). The adjustment reflects our best estimate of current upfront premiums that a financial guarantor would require based on the nature of the policies in force. The adjustment reflects estimated costs of capital based on rating agency capital charges, expenses based on our historical experience and a risk premium that reflects the risk of loss associated with the policies.

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Additionally, FSAH's subsidiaries have policies for which they are contractually entitled to receive premiums and, in the event of default of an insured obligation, obligated to pay claims in the future. These policies are typically referred to as installment policies. Similar to the adjustment for upfront policies discussed above, this adjustment also reflects the net fair value of expected future premiums, net of estimated costs of capital, related expenses and a risk premium based on the risk of insurance losses. The net cash flows are discounted at a risk-free rate. We have estimated future premiums based on expected maturities, which are typically shorter than contractual maturities. Costs of capital are based on rating agency capital charges for the nature of the business insured. Expenses are based on our historical experience. Risk premiums are based on loss scenarios determined based on Company estimates.

Based on our assumptions, FSAH's existing installment contracts result in an additional liability measured at fair value on March 31, 2009 indicating the FSAH's contractual premiums are less than the premiums a market participant of similar credit quality would demand at March 31, 2009. We have included this additional liability in our adjustment to unearned premium reserves.

(7)
Adjustment to eliminate historic balances attributable to FSAH common stock, additional paid-in capital, retained earnings, accumulated other comprehensive income, deferred equity compensation and treasury stock.

(8)
Adjustment to record negative goodwill based on the excess of the fair value of FSAH's net assets compared to the purchase price paid based on our preliminary assessment. The fair value of FSAH's pro forma net assets at March 31, 2009 exceeds the purchase price by $145.9 million. After completing a fair value analysis of FSAH's assets and liabilities as of the closing date, the final allocation of negative goodwill to non-financial assets and the amount of the extraordinary gain will be determined. The final purchase accounting adjustments may be materially different from the unaudited pro forma adjustments presented in this document.

(9)
Adjustment to recognize an extraordinary gain for the negative goodwill in pro forma adjustment Note 8, above. This extraordinary gain would be recognized in the combined results of operations in the first reporting period subsequent to consummation of the Acquisition.

(10)
Adjustment to reflect the effects of the offering of Assured's common shares to finance the Acquisition. The pro forma adjustments reflect a payment of $544.5 million in cash and the issuance of 22,283,951 Assured common shares directly to Dexia Holdings. The funds for the $544.5 million payment were assumed to be obtained from the issuance of an additional 38,500,000 Assured common shares to the public at $11.00 per share plus the issuance of $150 million of equity units. Transaction costs are estimated to be $38.3 million, of which $10.9 million is assumed to be paid from cash on hand.

(11)
Adjustment to tax effect of purchase GAAP accounting entries. Adjustment assumes a 35% tax rate.

Unaudited Pro Forma Combined Condensed Statements of Operations

Carve Out of Financial Products Segment

(a)
Adjustment to carve out amounts attributable to the Financial Products Companies from consolidated FSAH balances.

Pro Forma Adjustments

(b)
Adjustment to record incremental net earned premium attributable to the effects of balance sheet pro forma adjustment Note 6, above. Adjustment assumes that the pro forma adjustment

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amounts will be earned in proportion to FSAH's projected earned premium amounts under its current earnings methodology. Projected earned premium calculated under FAS 163 is not currently available.

(c)

Adjustment to record incremental interest expense attributable to the effects of balance sheet pro forma adjustment Note 4, above. Adjustment assumes incremental expense will be recognized straight line over the contractual life of the debt.

(d)

Adjustment to tax effect of pro forma adjustments. Adjustment assumes a 35% tax rate for all adjustments.

(e)

Adjustment to reflect interest expense on $150 million of equity units. Interest expense based on the company's estimated cost to issue 3-year debt, which is estimated to be 10%. The difference between this estimated cost and the actual coupon on these equity units of 8.50%, results in a credit to the company's additional paid-in capital.

(f)

Adjustment to eliminate FSA's deferred acquisition cost amortization as a result of write-off of deferred acquisition costs as part of purchase GAAP accounting, see note 3 above.

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THE BUSINESS OF ASSURED GUARANTY LTD.

Overview

Assured Guaranty Ltd. is a Bermuda based holding company that provides, through its operating subsidiaries, credit enhancement products to the public finance, structured finance and mortgage markets. Credit enhancement products are financial guaranty or other types of financial support, including credit derivatives, that improve the credit of underlying debt obligations. A derivative is a financial instrument whose characteristics and value depend upon the characteristics and value of an underlying security or commodity. We apply our credit expertise, risk management skills and capital markets experience to develop insurance, reinsurance and derivative products that meet the credit enhancement needs of our customers. We market our products directly and through financial institutions, serving the U.S. and international markets.

Our principal operating subsidiaries are AGC and AG Re.

We have four principal business segments: (1) financial guaranty direct, which includes transactions whereby we provide an unconditional and irrevocable guaranty that indemnifies the holder of a financial obligation against non-payment of principal and interest when due, and could take the form of a credit derivative; (2) financial guaranty reinsurance, which includes agreements whereby we are a reinsurer and agree to indemnify a primary insurance company against part or all of the loss which the latter may sustain under a policy it has issued; (3) mortgage guaranty, which includes mortgage guaranty insurance and reinsurance whereby we provide protection against the default of borrowers on mortgage loans; and (4) other, which includes lines of business in which we are no longer active.

We primarily conduct our business in the United States, Bermuda and Europe. The following table sets forth our gross written premiums by segment for the periods presented:

Gross Written Premiums By Segment

	Three Months Ended March 31, 2009	Year Ended December 31, 2008
	($ in millions)	
Financial guaranty direct:		
Structured finance	$ 0.9	$ 59.4
Public finance	139.2	425.3
Total financial guaranty direct	140.1	484.7
Financial guaranty reinsurance:		
Structured finance	0.6	38.0
Public finance	94.1	91.3
Total financial guaranty reinsurance	94.7	129.3
Mortgage guaranty		0.7
Total financial guaranty gross written premiums	234.8	614.7
Other		3.5
Total	$ 234.8	$ 618.3

Financial Guaranty Direct

Financial guaranty direct insurance provides an unconditional and irrevocable guaranty that protects the holder of a financial obligation against non-payment of principal and interest when due. Financial guaranty insurance may be issued to the holders of the insured obligations at the time of issuance of those obligations, or may be issued in the secondary market to holders of public bonds and structured securities. Both issuers of and investors in financial instruments may benefit from financial guaranty insurance. Issuers benefit because the insurance may have the effect of lowering an issuer's cost of borrowing to the extent that the insurance premium is less than the value of the difference between the yield on the insured obligation (which carries the credit rating of the insurer) and the yield on the obligation if sold on the basis of its uninsured credit rating. Financial guaranty insurance also improves the marketability of obligations issued by infrequent or unknown issuers, as well as obligations with complex structures or backed by asset classes new to the market. Investors benefit from increased liquidity in the secondary market, added protection against loss in the event of the obligor's default on its obligation, and reduced exposure to price volatility caused by changes in the credit quality of the underlying issue.

As an alternative to traditional financial guaranty insurance, credit protection relating to a particular security or issuer can be provided through a credit derivative, such as a CDS. Under the terms of a CDS, the seller of credit protection makes a specified payment to the buyer of credit protection upon the occurrence of one or more specified credit events with respect to a reference obligation or entity. Credit derivatives typically provide protection to a buyer rather than credit enhancement of an issue as in traditional financial guaranty insurance. Credit derivatives may be preferred by some customers because they generally offer ease of execution and standardized terms.

Financial guaranty direct products are generally provided for structured finance and public finance obligations in the U.S. and international markets.

Structured Finance Structured finance obligations in both the U.S. and international markets are generally backed by pools of assets, such as residential mortgage loans, consumer or trade receivables, securities or other assets having an ascertainable cash flow or market value, which are generally held by a special purpose issuing entity. Structured finance obligations can be "funded" or "synthetic." Funded structured finance obligations generally have the benefit of one or more forms of credit enhancement, such as over-collateralization and excess cash flow, to cover credit risks associated with the related assets. Synthetic structured finance obligations generally take the form of credit derivatives or credit linked notes that reference a pool of securities or loans, with a defined deductible to cover credit risks associated with the referenced securities or loans.

Public Finance Public finance obligations in both the U.S. and international markets consist primarily of debt obligations issued by or on behalf of states or their political subdivisions (counties, cities, towns and villages, utility districts, public universities and hospitals, public housing and transportation authorities), other public and quasi public entities, private universities and hospitals, and investor owned utilities. These obligations generally are supported by the taxing authority of the issuer, the issuer's or underlying obligor's ability to collect fees or assessments for certain projects or public services or revenues from operations. This market also includes project finance obligations, as well as other structured obligations supporting infrastructure and other public works projects.

Financial Guaranty Reinsurance

Financial guaranty reinsurance indemnifies a primary insurance company against part of a loss that the latter may sustain under a policy that it has issued. The reinsurer may itself purchase reinsurance protection ("retrocessions") from other reinsurers, thereby reducing its own exposure.

Reinsurance agreements take two major forms: "treaty" and "facultative." Treaty reinsurance requires the reinsured to cede, and the reinsurer to assume, specific classes of risk underwritten by the ceding company over a specified period of time, typically one year. Facultative reinsurance is the reinsurance of part of one or more specified policies, and is subject to separate negotiation for each cession.

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Financial Guaranty Portfolio

The principal types of obligations covered on a global basis by our financial guaranty direct and our financial guaranty reinsurance businesses are structured finance and public finance obligations. Because both businesses involve similar risks, we analyze and monitor our financial guaranty direct portfolio and our financial guaranty reinsurance portfolio on a unified process and procedure basis. In the tables that follow, our reinsurance par outstanding on treaty business is reported on a one-quarter lag due to the timing of receipt of reports prepared by our ceding companies. The following table sets forth our financial guaranty net par outstanding by product line:

Net Par Outstanding By Product Line

	As of March 31,	As of December 31,		
	2009	2008	2007	2006
	($ in billions)			
U.S. Public Finance:				
Direct	$ 45.6	$ 37.5	$ 7.5	$ 3.5
Reinsurance	81.6	69.9	74.4	48.8
Total U.S. public finance	127.2	107.3	81.9	52.3
U.S. Structured Finance:				
Direct	63.7	65.6	65.0	44.5
Reinsurance	8.4	8.8	8.9	7.1
Total U.S. structured finance	72.1	74.4	73.8	51.6
International:				
Direct	26.3	29.0	30.6	19.9
Reinsurance	11.6	12.1	14.0	8.5
Total international	37.9	41.0	44.5	28.4
Total net par outstanding(1)	$ 237.2	$ 222.7	$ 200.3	$ 132.3

(1) Some amounts may not add due to rounding.

U.S. Structured Finance Obligations

We insure and reinsure a number of different types of U.S. structured finance obligations. Credit support for the exposures written by us may come from a variety of sources, including some combination of subordinated tranches, excess spread, over-collateralization or cash reserves. Additional support also may be provided by transaction provisions intended to benefit noteholders or credit enhancers. The types of U.S. Structured Finance transactions we insure and reinsure include the following:

Pooled Corporate Obligations These include securities primarily backed by various types of corporate debt obligations, such as secured or unsecured bonds, bank loans or loan participations and trust preferred securities. These securities are often issued in "tranches," with subordinated tranches providing credit support to the more senior tranches. Our financial guaranty exposures generally are to the more senior tranches of these issues.

Residential Mortgage-Backed and Home Equity These include obligations backed by closed-end first mortgage loans and closed- and open-end second mortgage loans or home equity loans on one-to-four family residential properties, including condominiums and cooperative apartments. First mortgage loan products in these transactions include fixed rate, adjustable rate ("ARM") and option adjustable-rate ("Option ARM") mortgages. The credit quality of borrowers covers a broad range, including "prime", subprime" and "Alt-A". A prime borrower is generally defined as one with strong risk characteristics as measured by factors such as payment history, credit score, and debt-to-income

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ratios. A subprime borrower is a borrower with higher risk characteristics, usually as determined by credit score and/or credit history. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income.

Structured Credit These include program wide credit enhancement for commercial paper conduits, whole business securitizations and intellectual property securitizations. Program wide credit enhancement generally involves insuring against the default of asset backed securities in a bank sponsored commercial paper conduit. 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.

Consumer Receivables These include obligations backed by non-mortgage consumer receivables, such as automobile loans and leases, credit card receivables and other consumer receivables.

Commercial Receivables These include obligations backed by equipment loans or leases, fleet auto financings, business loans and trade receivables. Credit support is derived from the cash flows generated by the underlying obligations, as well as property or equipment values as applicable.

Commercial Mortgage-Backed Securities These include debt instruments that are backed by pools of commercial mortgages. The collateral supporting commercial mortgage-backed securities include office, multi-family, retail, hotel, industrial and other specialized or mixed-use properties.

Insurance Securitizations These include bonds secured by the future earnings from pools of various types of insurance/reinsurance policies and income produced by invested assets.

Other Structured Finance Other structured finance exposures in our portfolio include bonds or other securities backed by assets not generally described in any of the other described categories.

The following table sets forth our U.S. structured finance direct and reinsurance gross par written by asset type (stated as a percentage of total U.S. structured finance direct and reinsurance gross par) for the periods presented:

U.S. Structured Finance Gross Par Written by Asset Type

	Three Months Ended March 31,	Year Ended December 31,		
	2009	2008	2007	2006
		($ in billions)		
Pooled corporate obligations	77.2%	30.0%	40.9%	49.2%
Residential mortgage-backed and home equity	21.8	25.0	28.8	22.1
Structured credit		22.4	2.9	4.2
Consumer receivables		16.8	13.9	5.9
Commercial receivables		5.6	6.8	2.1
Commercial mortgage-backed securities			4.1	14.1
Insurance securitizations			2.2	2.1
Other structured finance		0.3	0.4	0.3
Total(1)	100.0%	100.0%	100.0%	100.0%
Total U.S. structured finance gross par written	$ 0.1	$ 12.7	$ 36.0	$ 28.2

(1) Total does not add due to rounding.

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The following table sets forth our U.S. structured finance direct and reinsurance net par outstanding by asset type (stated as a percentage of total U.S. structured finance direct and reinsurance net par outstanding) as of the dates indicated:

U.S. Structured Finance Net Par Outstanding by Asset Type

	As of March 31,	As of December 31,		
	2009	2008	2007	2006
	($ in billions)			
Pooled corporate obligations	46.7%	46.6%	45.8%	49.6%
Residential mortgage-backed and home equity	24.7	24.7	24.7	21.8
Commercial mortgage-backed securities	8.1	7.9	8.1	10.5
Consumer receivables	6.5	6.9	8.9	5.2
Commercial receivables	7.0	6.6	7.1	4.7
Structured credit	4.1	4.4	2.1	3.0
Insurance securitizations	2.2	2.1	1.6	1.5
Other structured finance	0.6	0.6	1.7	3.7
Total(1)	100.0%	100.0%	100.0%	100.0%
Total U.S. structured finance par outstanding	$ 72.1	$ 74.4	$ 73.8	$ 51.6

(1) Total does not add due to rounding.

The table below shows our ten largest financial guaranty U.S. structured finance direct and reinsurance exposures by revenue source as a percentage of total financial guaranty net par outstanding as of March 31, 2009:

Ten Largest U.S. Structured Finance Exposures

	Net Par Outstanding	Percent of Total Net Par Outstanding	Rating(1)
	($ in millions)		
Ares Enhanced Credit Opportunities Fund	$ 1,165	0.5%	AAA
Fortress Credit Investments I & II	1,092	0.5	AAA
Deutsche Alt-A Securities Mortgage Loan 2007-2	1,002	0.4	B
Discover Card Master Trust I Series A	1,000	0.4	AAA / Super senior
Field Point III & IV, Limited	991	0.4	AA-
Anchorage Crossover Credit Finance Ltd	875	0.4	AAA
280 Funding I Class A-1 & A-2	660	0.3	AAA
Mortgage It Securities Corp. Mortgage Loan 2007-2	649	0.3	BB
Prospect Funding I LLC	641	0.3	AAA
Private RMBS Re-Remic	638	0.3	AAA / Super senior
Total of top ten U.S. structured finance exposures	$ 8,713	3.7%	

(1) Our internal rating. Our 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 us in instances where our AAA-rated exposure has additional credit enhancement due to either (1) the existence of another security rated AAA that is subordinated to our exposure or (2) our 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 our attachment point to be materially above the AAA attachment point.

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U.S. Public Finance Obligations

We insure and reinsure a number of different types of U.S. public obligations, including the following:

Tax-Backed Bonds These include a variety of obligations that are supported by the issuer from specific and discrete sources of taxation and include tax-backed revenue bonds, general fund obligations and lease revenue bonds. Tax-backed obligations may be secured by a lien on specific pledged tax revenues, such as a gasoline or excise tax, or incrementally from growth in property tax revenue associated with growth in property values. These obligations also include obligations secured by special assessments levied against property owners and often benefit from issuer covenants to enforce collections of such assessments and to foreclose on delinquent properties. Lease revenue bonds typically are general fund obligations of a municipality or other governmental authority that are subject to annual appropriation or abatement; projects financed and subject to such lease payments ordinarily include real estate or equipment serving an essential public purpose. Bonds in this category also include moral obligations of municipalities or governmental authorities.

General Obligation Bonds These include full faith and credit bonds that are issued by states, their political subdivisions and other municipal issuers, and are supported by the general obligation of the issuer to pay from available funds and by a pledge of the issuer to levy ad valorem taxes in an amount sufficient to provide for the full payment of the bonds.

Municipal Utility Bonds These include the obligations of all forms of municipal utilities, including electric, water and sewer utilities and resource recovery revenue bonds. These utilities may be organized in various forms, including municipal enterprise systems, authorities or joint action agencies.

Healthcare Bonds These include obligations of healthcare facilities including community based hospitals and systems. In addition to healthcare facilities, obligors in this category include a small number of health maintenance organizations and long-term care facilities.

Transportation Bonds These include a wide variety of revenue-supported bonds, such as bonds for airports, ports, tunnels, municipal parking facilities, toll roads and toll bridges.

Higher Education Bonds These include obligations secured by revenue collected by either public or private secondary schools, colleges and universities. Such revenue can encompass all of an institution's revenue, including tuition and fees, or in other cases, can be specifically restricted to certain auxiliary sources of revenue.

Investor-Owned Utility Bonds These include obligations primarily backed by investor-owned utilities, first mortgage bond obligations of for-profit electric or water utilities providing retail, industrial and commercial service, and also include sale-leaseback obligation bonds supported by such entities.

Housing Revenue Bonds These include obligations relating to both single and multi-family housing, issued by states and localities, supported by cash flow and, in some cases, insurance from such entities as the Federal Housing Administration.

Other Public Bonds These include other debt issued, guaranteed or otherwise supported by U.S. national or local governmental authorities, as well as student loans, revenue bonds, and obligations of some not-for-profit organizations.

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The following table sets forth our U.S. public finance direct and reinsurance gross par written by bond type (stated as a percentage of total U.S. public finance direct and reinsurance gross par written) for the years presented:

U.S. Public Finance Gross Par Written by Asset Type

	Period Ended March 31, 2009	Period Ended December 31, 2008
	($ in billions)	
Tax-backed	38.0%	25.5%
General obligation	33.8	24.5
Municipal utilities	10.2	15.3
Healthcare	6.2	12.2
Transportation	5.5	11.9
Higher education	2.6	4.9
Investor-owned utilities		0.2
Housing		0.1
Other public finance	3.8	5.3
Total(1)	100.0%	100.0%
Total U.S. public finance gross par written	$ 21.6	$ 37.0

(1) Total does not add due to rounding.

The following table sets forth our U.S. public finance direct and reinsurance net par outstanding by bond type (stated as a percentage of total U.S. public finance direct and reinsurance net par outstanding) as of the dates indicated:

U.S. Public Finance Net Par Outstanding by Asset Type

	As of March 31, 2009	As of December 31, 2008
	($ in billions)	
General obligation	27.5%	25.2%
Tax-backed	25.9	24.1
Municipal utilities	13.9	14.5
Transportation	10.9	11.8
Healthcare	9.0	10.9
Higher education	5.0	5.0
Investor-owned utilities	1.6	2.0
Housing	1.6	1.8
Other public finance	4.6	4.7
Total	100.0%	100.0%
Total U.S. public finance net par outstanding	$ 127.2	$ 107.3

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The table below shows our ten largest financial guaranty U.S. public finance direct and reinsurance exposures by revenue source as a percentage of total financial guaranty net par outstanding as of March 31, 2009:

Ten Largest U.S. Public Finance Exposures

	Net Par Outstanding	Percent of Total Net Par Outstanding	Rating(1)
	($ in millions)		
State of California General Obligation & Leases	$ 2,077	0.9%	A+
New York City General Obligation & Leases	1,443	0.6	A+
Commonwealth of Puerto Rico General Obligation & Leases	1,255	0.5	BBB-
State of New Jersey General Obligation & Leases	1,139	0.5	AA-
Miami- Dade County Florida Aviation Authority	1,125	0.5	A
Commonwealth of Massachusetts General Obligation & Bay Transportation	1,091	0.5	A
Pennsylvania State Turnpike Commission	1,067	0.4	A+
Long Island Power Authority	995	0.4	A-
State of New York General Obligation & Leases	993	0.4	A+
City of Chicago General Obligation & Leases	964	0.4	AA-
Total of top ten U.S. public finance exposures	$ 12,149	5.1%	

(1) Our internal rating. Our scale is comparable to that of the nationally recognized rating agencies.

International Obligations

We insure and reinsure a number of different types of international public and structured obligations. Credit support for the exposures written by us may come from a variety of sources, including some combination of subordinated tranches, excess spread, over-collateralization or cash reserves. Additional support also may be provided by transaction provisions intended to benefit noteholders or credit enhancers. The types of international transactions we insure and reinsure include the following:

Residential Mortgage-Backed and Home Equity These include obligations backed by closed-end first mortgage loans and closed- and open-end second mortgage loans or home equity loans on one-to-four family residential properties, including condominiums and cooperative apartments. First mortgage loan products in these transactions include fixed rate, ARM and Option ARM mortgages. The credit quality of borrowers covers a broad range, including "prime", "subprime" and "Alt-A". A prime borrower is generally defined as one with strong risk characteristics as measured by factors such as payment history, credit score, and debt-to-income ratios. A subprime borrower is a borrower with higher risk characteristics, usually as determined by credit score and/or credit history. An Alt-A borrower is generally defined as a prime quality borrower that lacks certain ancillary characteristics, such as fully documented income.

Regulated Utilities These include obligations issued by government-regulated providers of essential services and commodities, including electric, water and gas utilities. The majority of our international regulated utility business is conducted in the UK.

Pooled Corporate Obligations These include securities primarily backed by pooled corporate debt obligations, such as corporate bonds, bank loans or loan participations and trust preferred

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securities. These securities are often issued in "tranches," with subordinated tranches providing credit support to the more senior tranches. Our financial guaranty exposures generally are to the more senior tranches of these issues.

Infrastructure and pooled infrastructure These include obligations issued by a variety of entities engaged in the financing of international infrastructure projects, such as roads, airports, ports, social infrastructure, and other physical assets delivering essential services supported either by long-term concession arrangements with a public sector entity or a regulatory regime. The majority of our international infrastructure business is conducted in the UK.

Future Flow These include obligations supported by future receivables generated by financial flows (foreign remittances and foreign credit card flows), and by future receivables generated by commodity flows (future oil and gas, minerals, or refined product production). Such receivables are typically generated in emerging market countries. Payments due to the issuer are made in the United States or other developed countries and deposited into accounts in such countries. The issuer assigns such receivables to an offshore special purpose vehicle that issues notes backed by such flows.

Consumer receivables These include obligations backed by non-mortgage consumer receivables, such as automobile loans and leases, credit card receivables and other consumer receivables.

Public Finance These include obligations of local, municipal, regional or national governmental authorities or agencies.

Commercial Receivables These include obligations backed by equipment loans or leases, fleet auto financings, business loans and trade receivables. Credit support is derived from cash flows generated by the underlying obligations as well as property and equipment values as applicable.

Commercial Mortgage-Backed Securities