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Financial Supplement

Financial Information
as of March 31, 2012

The following financial supplement is provided to assist in your understanding of Arch Capital Group Ltd.

This report is for informational purposes only. It should be read in conjunction with documents filed by Arch Capital Group Ltd. with the U.S. Securities and Exchange Commission, including the most recent Annual Report on Form 10-K and the Quarterly Reports on Form 10-Q. Please refer to the Company's website at www.archcapgroup.bm for further information describing Arch Capital Group Ltd. The adoption of new accounting guidance concerning the accounting for costs associated with acquiring or renewing insurance contracts was adopted retrospectively and has been applied to all prior period financial information in this financial supplement.

Arch Capital Group Ltd. and Subsidiaries

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Arch Capital Group Ltd. and Subsidiaries

Cautionary Note Regarding Forward-Looking Statements

The Private Securities Litigation Reform Act of 1995 provides a "safe harbor" for forward-looking statements. This release or any other written or oral statements made by or on behalf of Arch Capital Group Ltd. and its subsidiaries may include forward-looking statements, which reflect our current views with respect to future events and financial performance. All statements other than statements of historical fact included in or incorporated by reference in this release are forward-looking statements.

Forward-looking statements can generally be identified by the use of forward-looking terminology such as "may," "will," "expect," "intend," "estimate," "anticipate," "believe" or "continue" or their negative or variations or similar terminology. Forward-looking statements involve our current assessment of risks and uncertainties. Actual events and results may differ materially from those expressed or implied in these statements. A non-exclusive list of the important factors that could cause actual results to differ materially from those in such forward-looking statements includes the following: adverse general economic and market conditions; increased competition; pricing and policy term trends; fluctuations in the actions of rating agencies and our ability to maintain and improve our ratings; investment performance; the loss of key personnel; the adequacy of our loss reserves, severity and/or frequency of losses, greater than expected loss ratios and adverse development on claim and/or claim expense liabilities; greater frequency or severity of unpredictable natural and man-made catastrophic events; the impact of acts of terrorism and acts of war; changes in regulations and/or tax laws in the United States or elsewhere; our ability to successfully integrate, establish and maintain operating procedures as well as integrate the businesses we have acquired or may acquire into the existing operations; changes in accounting principles or policies; material differences between actual and expected assessments for guaranty funds and mandatory pooling arrangements; availability and cost to us of reinsurance to manage our gross and net exposures; the failure of others to meet their obligations to us; and other factors identified in our filings with the U.S. Securities and Exchange Commission.

The foregoing review of important factors should not be construed as exhaustive and should be read in conjunction with other cautionary statements that are included herein or elsewhere. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by these cautionary statements. We undertake no obligation to publicly update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Arch Capital Group Ltd. and Subsidiaries
Financial Highlights
(U.S. dollars in thousands, except share data)

	Three Months Ended March 31,		
	2012	2011	Change
Gross premiums written.....	\$1,066,656	\$964,566	10.6%
Net premiums written	\$863,611	\$764,278	13.0%
Net premiums earned	\$680,312	\$633,695	7.4%
Underwriting income (loss).....	\$67,193	(\$63,980)	N/M
Net investment income.....	\$74,297	\$88,307	(15.9%)
<i>Per diluted share</i>	\$0.54	\$0.63	(14.3%)
Net income available to common shareholders.....	\$157,795	\$19,012	730.0%
<i>Per diluted share</i>	\$1.14	\$0.14	714.3%
After-tax operating income available to common shareholders (1).....	\$113,660	\$7,576	1,400.3%
<i>Per diluted share</i>	\$0.82	\$0.06	1,266.7%
Comprehensive income.....	\$244,801	\$46,375	427.9%
Cash flow from operations.....	\$144,821	\$224,580	(35.5%)
Diluted weighted average common shares and common share equivalents outstanding.....	137,814,906	140,460,516	(1.9%)
			% Point Change
Underwriting ratios:			
Loss ratio	58.1%	77.9%	(19.8)
Acquisition expense ratio.....	17.4%	17.0%	0.4
Other operating expense ratio	14.6%	15.1%	(0.5)
Combined ratio	<u>90.1%</u>	<u>110.0%</u>	<u>(19.9)</u>
Financial measures:			
Growth in book value per common share.....	4.9%	1.1%	3.8
Annualized operating return on average common equity.....	10.4%	0.7%	9.7
Total return on investments (2)			
Including effects of foreign exchange.....	1.87%	1.50%	37 bps
Excluding effects of foreign exchange.....	1.60%	1.14%	46 bps

(1) See page 18, Comments on Regulation G.

(2) Total return on investments includes net investment income, equity in net income (loss) of investment funds accounted for using the equity method, net realized gains and losses and the change in unrealized gains and losses generated by the Company's investment portfolio. Total return is calculated on a pre-tax basis and before investment expenses.

Arch Capital Group Ltd. and Subsidiaries
Consolidated Statements of Income
(U.S. dollars in thousands, except share data)

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Gross premiums written.....	\$1,066,656	\$699,662	\$860,289	\$911,939	\$964,566	\$664,212	\$831,788	\$817,100	\$953,687
Net premiums written	863,611	511,124	691,381	706,543	764,278	482,911	636,117	624,258	767,754
Net premiums earned	680,312	\$673,192	\$682,049	\$642,879	\$633,695	\$632,146	\$627,409	\$623,011	\$669,917
Fee income.....	543	982	848	784	815	2,814	874	883	794
Losses and loss adjustment expenses	(395,207)	(378,067)	(423,984)	(431,622)	(493,880)	(367,326)	(359,193)	(363,145)	(428,051)
Acquisition expenses, net	(118,962)	(123,339)	(120,205)	(110,639)	(108,754)	(104,824)	(111,279)	(107,475)	(117,624)
Other operating expenses	(99,493)	(103,300)	(100,141)	(101,445)	(95,856)	(112,228)	(97,247)	(92,748)	(101,759)
Underwriting income (loss).....	67,193	69,468	38,567	(43)	(63,980)	50,582	60,564	60,526	23,277
Net investment income	74,297	80,467	82,753	86,671	88,307	90,601	90,768	90,537	92,972
Net realized gains.....	44,121	14,542	30,199	45,210	20,695	74,027	68,828	62,114	47,782
Net impairment losses recognized in earnings.....	(1,023)	(1,959)	(2,739)	(1,684)	(2,680)	(3,230)	(2,075)	(4,410)	(1,606)
Equity in net income (loss) of investment funds accounted for using the equity method.....	24,826	(14,702)	(30,549)	5,973	29,673	22,990	9,708	(348)	29,050
Other income (loss).....	(8,068)	(4,848)	2,432	(4,265)	4,567	6,165	1,840	4,528	5,978
Other expenses	(6,979)	(6,777)	(6,180)	(11,397)	(7,026)	(6,881)	(5,796)	(10,503)	(5,688)
Interest expense.....	(7,521)	(8,087)	(8,125)	(7,758)	(7,721)	(7,460)	(7,371)	(7,916)	(7,260)
Net foreign exchange gains (losses).....	(20,688)	12,613	60,040	(18,375)	(36,912)	6,039	(65,157)	48,625	38,601
Income before income taxes.....	166,158	140,717	166,398	94,332	24,923	232,833	151,309	243,153	223,106
Income tax (expense) benefit.....	(1,902)	4,615	2,357	2,271	550	3,067	(3,291)	(1,011)	(6,494)
Net income.....	164,256	145,332	168,755	96,603	25,473	235,900	148,018	242,142	216,612
Preferred dividends.....	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)
Net income available to common shareholders.....	<u>\$157,795</u>	<u>\$138,871</u>	<u>\$162,294</u>	<u>\$90,142</u>	<u>\$19,012</u>	<u>\$229,439</u>	<u>\$141,557</u>	<u>\$235,681</u>	<u>\$210,151</u>
Underwriting Ratios									
Loss ratio	58.1%	56.2%	62.2%	67.1%	77.9%	58.1%	57.3%	58.3%	63.9%
Acquisition expense ratio.....	17.4%	18.2%	17.5%	17.1%	17.0%	16.5%	17.6%	17.1%	17.4%
Other operating expense ratio	14.6%	15.3%	14.7%	15.8%	15.1%	17.8%	15.5%	14.9%	15.2%
Combined ratio	<u>90.1%</u>	<u>89.7%</u>	<u>94.4%</u>	<u>100.0%</u>	<u>110.0%</u>	<u>92.4%</u>	<u>90.4%</u>	<u>90.3%</u>	<u>96.5%</u>
Net premiums written to gross premiums written.....	81.0%	73.1%	80.4%	77.5%	79.2%	72.7%	76.5%	76.4%	80.5%
Net income per common share									
Basic.....	\$1.18	\$1.05	\$1.23	\$0.69	\$0.14	\$1.60	\$0.96	\$1.54	\$1.32
Diluted.....	\$1.14	\$1.01	\$1.18	\$0.65	\$0.14	\$1.53	\$0.92	\$1.47	\$1.26
Weighted average common shares and common share equivalents outstanding									
Basic.....	133,954,623	132,612,528	131,560,851	131,232,269	133,499,241	143,320,146	146,993,373	152,962,620	159,117,078
Diluted.....	137,814,906	137,473,670	137,140,929	137,975,599	140,460,516	150,306,429	153,546,027	159,795,909	166,541,481

Arch Capital Group Ltd. and Subsidiaries
Consolidated Balance Sheets
(U.S. dollars in thousands, except share data)

	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Assets									
Investments:									
Fixed maturities available for sale, at fair value.....	\$9,221,145	\$9,375,604	\$9,529,834	\$9,247,002	\$8,916,017	\$8,957,859	\$9,692,852	\$9,326,574	\$9,202,122
Short-term investments available for sale, at fair value.....	1,112,249	904,219	799,662	704,495	1,130,142	915,841	780,671	554,304	669,798
Investment of funds received under securities lending, at fair value.....	41,867	48,419	44,553	145,224	9,951	69,660	200,020	209,635	177,954
Equity securities available for sale, at fair value.....	318,181	299,584	273,213	320,434	361,639	310,194	79,805	38,879	41,537
Other investments available for sale, at fair value.....	357,992	238,111	229,974	299,845	293,073	275,538	229,488	211,241	125,262
Investments accounted for using the fair value option.....	500,283	366,903	319,381	321,790	256,614	219,173	175,841	140,541	147,471
TALF investments, at fair value.....	313,187	387,702	392,455	399,341	400,970	402,449	410,881	407,469	406,997
Investments accounted for using the equity method.....	347,273	380,507	383,543	399,968	449,206	508,334	500,737	474,971	467,597
Total investments.....	12,212,177	12,001,049	11,972,615	11,838,099	11,817,612	11,659,048	12,070,295	11,363,614	11,238,738
Cash.....	422,806	351,699	369,895	411,001	406,877	362,740	365,997	341,469	338,708
Accrued investment income.....	65,643	70,739	71,264	71,083	69,057	74,837	79,180	72,102	74,214
Investment in joint venture.....	107,866	107,576	107,642	105,982	105,495	105,698	104,347	103,540	102,946
Fixed maturities and short-term investments pledged under securities lending, at fair value.....	50,813	56,393	72,399	150,501	198,418	75,575	203,221	214,564	184,221
Securities purchased under agreements to resell using funds received under securities lending.....	-	-	20,032	-	185,176	-	-	-	-
Premiums receivable.....	700,137	501,563	606,963	712,397	633,144	503,434	662,634	706,503	699,385
Reinsurance recoverable on unpaid and paid losses and loss adjustment expenses.....	1,849,603	1,851,584	1,840,191	1,855,342	1,772,130	1,763,985	1,715,122	1,721,059	1,711,307
Contractholder receivables.....	762,031	748,231	732,270	702,423	672,296	660,546	635,682	609,476	579,238
Prepaid reinsurance premiums.....	261,619	265,696	267,846	278,587	259,624	263,448	267,240	256,952	250,841
Deferred acquisition costs, net (1).....	261,467	227,884	253,163	257,292	251,226	227,278	244,441	241,095	247,202
Receivable for securities sold.....	621,560	462,891	1,067,188	733,931	749,708	56,145	1,329,508	1,084,122	1,427,085
Other assets (1).....	497,061	460,052	490,728	520,901	521,292	490,277	461,473	480,448	492,662
Total Assets.....	<u>\$17,812,783</u>	<u>\$17,105,357</u>	<u>\$17,872,196</u>	<u>\$17,637,539</u>	<u>\$17,642,055</u>	<u>\$16,243,011</u>	<u>\$18,139,140</u>	<u>\$17,194,944</u>	<u>\$17,346,547</u>
Liabilities									
Reserve for losses and loss adjustment expenses.....	\$8,511,323	\$8,456,210	\$8,523,522	\$8,564,908	\$8,319,324	\$8,098,454	\$8,054,677	\$7,940,104	\$7,898,162
Unearned premiums.....	1,595,712	1,411,872	1,578,419	1,589,497	1,504,162	1,370,075	1,524,100	1,492,550	1,495,265
Reinsurance balances payable.....	137,791	133,866	123,815	154,860	131,512	132,452	130,274	128,723	114,254
Contractholder payables.....	762,031	748,231	732,270	702,423	672,296	660,546	635,682	609,476	579,238
Senior notes.....	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
Revolving credit agreement borrowings.....	100,000	100,000	100,000	100,000	100,000	100,000	125,000	125,000	100,000
TALF borrowings, at fair value.....	239,551	310,486	314,137	318,441	322,222	325,770	331,797	336,213	346,746
Securities lending payable.....	52,224	58,546	74,696	155,072	203,925	78,021	209,411	219,796	189,024
Payable for securities purchased.....	742,995	480,230	1,161,591	838,787	1,266,390	200,192	1,649,462	1,192,181	1,429,529
Other liabilities.....	531,700	513,842	527,847	510,521	533,189	500,715	498,832	490,890	552,255
Total Liabilities.....	<u>12,973,327</u>	<u>12,513,283</u>	<u>13,436,297</u>	<u>13,234,509</u>	<u>13,353,020</u>	<u>11,766,225</u>	<u>13,459,235</u>	<u>12,834,933</u>	<u>13,004,473</u>
Commitments and Contingencies									
Shareholders' Equity									
Non-cumulative preferred shares.....	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000	325,000
Common shares.....	552	549	544	541	535	534	531	529	527
Additional paid-in capital.....	170,694	161,419	150,882	142,001	120,109	110,325	100,640	83,828	95,926
Retained earnings (1).....	4,954,450	4,796,655	4,657,784	4,495,490	4,405,348	4,386,336	4,156,897	4,015,340	3,779,659
Accumulated other comprehensive income, net of deferred income tax.....	234,468	153,923	146,576	263,584	225,405	204,503	388,370	173,231	140,962
Common shares held in treasury, at cost.....	(845,708)	(845,472)	(844,887)	(823,586)	(787,362)	(549,912)	(291,533)	(237,917)	-
Total Shareholders' Equity.....	4,839,456	4,592,074	4,435,899	4,403,030	4,289,035	4,476,786	4,679,905	4,360,011	4,342,074
Total Liabilities and Shareholders' Equity.....	<u>\$17,812,783</u>	<u>\$17,105,357</u>	<u>\$17,872,196</u>	<u>\$17,637,539</u>	<u>\$17,642,055</u>	<u>\$16,243,011</u>	<u>\$18,139,140</u>	<u>\$17,194,944</u>	<u>\$17,346,547</u>
Common shares outstanding, net of treasury shares.....	135,441,687	134,358,345	133,005,465	132,771,524	131,850,639	139,632,225	147,676,113	148,891,710	158,129,802
Book value per common share (1) (2).....	<u>\$33.33</u>	<u>\$31.76</u>	<u>\$30.91</u>	<u>\$30.71</u>	<u>\$30.06</u>	<u>\$29.73</u>	<u>\$29.49</u>	<u>\$27.10</u>	<u>\$25.40</u>

(1) Reflects the adoption of new accounting guidance concerning the accounting for costs associated with acquiring or renewing insurance contracts retrospectively applied to all periods.

(2) Excludes the effects of stock options and restricted stock units outstanding.

Arch Capital Group Ltd. and Subsidiaries
Consolidated Statements of Comprehensive Income
(U.S. dollars in thousands)

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Comprehensive Income									
Net income.....	\$164,256	\$145,332	\$168,755	\$96,603	\$25,473	\$235,900	\$148,018	\$242,142	\$216,612
Other comprehensive income (loss), net of deferred income tax									
Unrealized holding gains (losses) arising during period.....	94,863	40,476	(71,861)	84,862	40,370	(141,807)	264,609	71,087	42,847
Portion of other-than-temporary impairment losses recognized in other comprehensive income, net of deferred income tax.....	(8)	(1,485)	(2,440)	(285)	(578)	(111)	(603)	(308)	(730)
Reclassification of net realized gains, net of income taxes, included in net income.....	(27,511)	(29,785)	(30,707)	(47,682)	(20,176)	(43,414)	(56,299)	(32,611)	(37,607)
Foreign currency translation adjustments.....	13,201	(1,859)	(12,000)	1,284	1,286	1,465	7,432	(5,899)	(2,074)
Other comprehensive income (loss).....	80,545	7,347	(117,008)	38,179	20,902	(183,867)	215,139	32,269	2,436
Comprehensive Income.....	<u>\$244,801</u>	<u>\$152,679</u>	<u>\$51,747</u>	<u>\$134,782</u>	<u>\$46,375</u>	<u>\$52,033</u>	<u>\$363,157</u>	<u>\$274,411</u>	<u>\$219,048</u>

Arch Capital Group Ltd. and Subsidiaries
Consolidated Statements of Changes in Shareholders' Equity
(U.S. dollars in thousands)

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Non-Cumulative Preferred Shares									
Balance at beginning and end of period.....	\$325,000	\$325,000	\$325,000	\$325,000	\$325,000	\$325,000	\$325,000	\$325,000	\$325,000
Common Shares									
Balance at beginning of period.....	549	544	541	535	534	531	529	527	548
Common shares issued, net.....	3	5	3	6	1	3	2	7	4
Purchases of common shares under share repurchase program.....	-	-	-	-	-	-	-	(5)	(25)
Balance at end of period.....	<u>552</u>	<u>549</u>	<u>544</u>	<u>541</u>	<u>535</u>	<u>534</u>	<u>531</u>	<u>529</u>	<u>527</u>
Additional Paid-in Capital									
Balance at beginning of period.....	161,419	150,882	142,001	120,109	110,325	100,640	83,828	95,926	253,466
Common shares issued, net.....	(3)	1,857	(2)	3,904	8	1,334	283	3,275	14
Exercise of stock options.....	1,851	2,926	3,007	2,245	4,127	2,716	10,486	7,964	16,700
Common shares retired.....	-	-	-	-	-	-	-	(36,212)	(181,350)
Amortization of share-based compensation.....	7,411	5,700	5,781	13,877	5,628	5,615	6,074	12,280	7,096
Other.....	16	54	95	1,866	21	20	(31)	595	-
Balance at end of period.....	<u>170,694</u>	<u>161,419</u>	<u>150,882</u>	<u>142,001</u>	<u>120,109</u>	<u>110,325</u>	<u>100,640</u>	<u>83,828</u>	<u>95,926</u>
Retained Earnings									
Balance at beginning of period.....	4,796,655	4,657,784	4,495,490	4,405,348	4,386,336	4,156,897	4,015,340	3,779,659	3,605,809
Cumulative effect of adjustment resulting from adoption of new accounting guidance (1).....	-	-	-	-	-	-	-	-	(36,301)
Balance at beginning of period, as adjusted.....	4,796,655	4,657,784	4,495,490	4,405,348	4,386,336	4,156,897	4,015,340	3,779,659	3,569,508
Dividends declared on preferred shares.....	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)
Net income.....	164,256	145,332	168,755	96,603	25,473	235,900	148,018	242,142	216,612
Balance at end of period.....	<u>4,954,450</u>	<u>4,796,655</u>	<u>4,657,784</u>	<u>4,495,490</u>	<u>4,405,348</u>	<u>4,386,336</u>	<u>4,156,897</u>	<u>4,015,340</u>	<u>3,779,659</u>
Accumulated Other Comprehensive Income (Loss)									
Balance at beginning of period.....	153,923	146,576	263,584	225,405	204,503	388,370	173,231	140,962	138,526
Change in unrealized appreciation (decline) in value of investments, net of deferred income tax.....	67,352	10,691	(102,568)	37,180	20,194	(185,221)	208,310	38,476	5,240
Portion of other-than-temporary impairment losses recognized in other comprehensive income, net of deferred income tax.....	(8)	(1,485)	(2,440)	(285)	(578)	(111)	(603)	(308)	(730)
Foreign currency translation adjustments, net of deferred income tax.....	13,201	(1,859)	(12,000)	1,284	1,286	1,465	7,432	(5,899)	(2,074)
Balance at end of period.....	<u>234,468</u>	<u>153,923</u>	<u>146,576</u>	<u>263,584</u>	<u>225,405</u>	<u>204,503</u>	<u>388,370</u>	<u>173,231</u>	<u>140,962</u>
Common Shares Held in Treasury, at Cost									
Balance at beginning of period.....	(845,472)	(844,887)	(823,586)	(787,362)	(549,912)	(291,533)	(237,917)	-	-
Shares repurchased for treasury.....	(236)	(585)	(21,301)	(36,224)	(237,450)	(258,379)	(53,616)	(237,917)	-
Balance at end of period.....	<u>(845,708)</u>	<u>(845,472)</u>	<u>(844,887)</u>	<u>(823,586)</u>	<u>(787,362)</u>	<u>(549,912)</u>	<u>(291,533)</u>	<u>(237,917)</u>	<u>-</u>
Total Shareholders' Equity.....	<u>\$4,839,456</u>	<u>\$4,592,074</u>	<u>\$4,435,899</u>	<u>\$4,403,030</u>	<u>\$4,289,035</u>	<u>\$4,476,786</u>	<u>\$4,679,905</u>	<u>\$4,360,011</u>	<u>\$4,342,074</u>

(1) Reflects the adoption of new accounting guidance concerning the accounting for costs associated with acquiring or renewing insurance contracts retrospectively applied to all periods.

Arch Capital Group Ltd. and Subsidiaries
Consolidated Statements of Cash Flows
(U.S. dollars in thousands)

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Operating Activities									
Net income.....	\$164,256	\$145,332	\$168,755	\$96,603	\$25,473	\$235,900	\$148,018	\$242,142	\$216,612
Adjustments to reconcile net income to net cash provided by operating activities:									
Net realized gains.....	(44,072)	(12,940)	(29,615)	(48,886)	(22,481)	(78,261)	(72,534)	(62,406)	(49,483)
Net impairment losses included in earnings.....	1,023	1,959	2,739	1,684	2,680	3,230	2,075	4,410	1,606
Equity in net income or loss of investment funds accounted for using the equity method and other income	(12,030)	20,776	31,734	18,945	(355)	(26,110)	(11,545)	(3,368)	(15,012)
Share-based compensation	7,411	5,700	5,781	13,877	5,628	5,615	6,074	12,280	7,096
Changes in:									
Reserve for losses and loss adjustment expenses, net of unpaid losses and loss adjustment expenses recoverable	39,343	(59,998)	48,397	130,746	155,477	3,546	49,420	71,357	91,247
Unearned premiums, net of prepaid reinsurance premiums	181,735	(162,490)	9,919	63,987	130,136	(149,242)	9,024	236	96,645
Premiums receivable	(190,102)	106,818	82,200	(77,556)	(118,688)	157,034	63,197	(20,280)	(116,571)
Deferred acquisition costs, net	(32,269)	24,823	1,438	(5,464)	(22,056)	16,684	(31)	3,756	(19,014)
Reinsurance balances payable	(3,181)	8,896	(19,368)	23,109	(7,122)	3,277	(4,853)	19,267	(36,669)
Other liabilities	10,134	30,620	5,925	(26,613)	33,366	(47,339)	23,914	(57,219)	41,448
Other items, net	22,573	145	2,019	31,535	42,522	20,179	54,665	(4,661)	(33,282)
Net Cash Provided By Operating Activities	<u>144,821</u>	<u>109,641</u>	<u>309,924</u>	<u>221,967</u>	<u>224,580</u>	<u>144,513</u>	<u>267,424</u>	<u>205,514</u>	<u>184,623</u>
Investing Activities									
Purchases of:									
Fixed maturity investments	(3,593,630)	(3,758,854)	(2,729,874)	(4,235,140)	(3,151,767)	(2,434,319)	(5,018,619)	(4,885,606)	(4,597,713)
Equity securities.....	(33,803)	(69,962)	(94,115)	(159,157)	(89,790)	(226,677)	(65,155)	(21,727)	(52,283)
Other investments	(239,167)	(220,048)	(166,449)	(114,588)	(92,777)	(147,127)	(92,955)	(150,631)	(132,819)
Proceeds from the sales of:									
Fixed maturity investments	3,628,932	3,542,629	2,299,627	3,323,456	3,232,541	2,670,332	4,872,668	4,668,666	4,443,108
Equity securities.....	75,860	58,386	111,467	147,334	52,316	14,522	19,151	25,043	11,725
Other investments	111,149	147,243	191,767	119,780	84,967	133,211	68,843	87,536	89,510
Proceeds from redemptions and maturities of fixed maturities.....	261,660	296,408	200,671	283,512	253,898	266,044	226,889	244,312	212,625
Net (purchases) sales of short-term investments	(207,444)	(114,854)	(123,211)	459,091	(223,415)	(129,794)	(205,411)	96,239	(102,921)
Change in investment of securities lending collateral	6,322	16,150	80,376	48,853	(125,904)	131,389	10,385	(30,772)	30,092
Purchases of furniture, equipment and other	(6,498)	(3,461)	(3,178)	(4,266)	(8,082)	(1,553)	(2,251)	(6,057)	(1,803)
Net Cash Provided By (Used For) Investing Activities	<u>3,381</u>	<u>(106,363)</u>	<u>(232,919)</u>	<u>(131,125)</u>	<u>(68,013)</u>	<u>276,028</u>	<u>(186,455)</u>	<u>27,003</u>	<u>(100,479)</u>
Financing Activities									
Purchases of common shares under share repurchase program	-	(3)	(20,833)	(29,552)	(237,173)	(258,150)	(53,398)	(269,054)	(181,272)
Proceeds from common shares issued, net	780	3,245	1,609	(1,397)	2,875	4,693	8,586	3,779	10,591
Proceeds from borrowings.....	-	-	-	-	-	-	-	50,000	214,526
Repayments of borrowings.....	(69,863)	(3,513)	(4,225)	(3,919)	(3,695)	(31,072)	(5,646)	(34,022)	(86,317)
Change in securities lending collateral	(6,322)	(16,150)	(80,376)	(48,853)	125,904	(131,389)	(10,385)	30,772	(30,092)
Other.....	588	766	818	2,467	714	(893)	1,593	2,296	5,061
Preferred dividends paid	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)	(6,461)
Net Cash Used For Financing Activities	<u>(81,278)</u>	<u>(22,116)</u>	<u>(109,468)</u>	<u>(87,715)</u>	<u>(117,836)</u>	<u>(423,272)</u>	<u>(65,711)</u>	<u>(222,690)</u>	<u>(73,964)</u>
Effects of exchange rate changes on foreign currency cash	4,183	642	(8,643)	997	5,406	(526)	9,270	(7,066)	(6,043)
Increase (decrease) in cash	71,107	(18,196)	(41,106)	4,124	44,137	(3,257)	24,528	2,761	4,137
Cash beginning of period.....	351,699	369,895	411,001	406,877	362,740	365,997	341,469	338,708	334,571
Cash end of period	<u>\$422,806</u>	<u>\$351,699</u>	<u>\$369,895</u>	<u>\$411,001</u>	<u>\$406,877</u>	<u>\$362,740</u>	<u>\$365,997</u>	<u>\$341,469</u>	<u>\$338,708</u>
Income taxes paid (received), net	<u>\$2,788</u>	<u>(\$7,724)</u>	<u>\$3,662</u>	<u>\$2,296</u>	<u>\$3,670</u>	<u>\$3,140</u>	<u>\$1,928</u>	<u>\$1,430</u>	<u>\$704</u>
Interest paid	<u>\$2,206</u>	<u>\$13,047</u>	<u>\$2,177</u>	<u>\$13,084</u>	<u>\$2,191</u>	<u>\$12,831</u>	<u>\$1,832</u>	<u>\$13,437</u>	<u>\$1,785</u>

Arch Capital Group Ltd. and Subsidiaries Segment Information -- Overview

The Company classifies its businesses into two underwriting segments – insurance and reinsurance – and corporate and other (non-underwriting). The Company's insurance and reinsurance operating segments each have segment managers who are responsible for the overall profitability of their respective segments and who are directly accountable to the Company's chief operating decision makers, the Chairman, President and Chief Executive Officer of ACGL and the Chief Financial Officer of ACGL. The chief operating decision makers do not assess performance, measure return on equity or make resource allocation decisions on a line of business basis. The Company determined its reportable operating segments using the management approach described in accounting guidance regarding disclosures about segments of an enterprise and related information.

Management measures segment performance based on underwriting income or loss. The Company does not manage its assets by segment and, accordingly, investment income is not allocated to each underwriting segment. In addition, other revenue and expense items are not evaluated by segment. The accounting policies of the segments are the same as those used for the preparation of the Company's consolidated financial statements. Intersegment business is allocated to the segment accountable for the underwriting results.

The insurance segment consists of the Company's insurance underwriting subsidiaries which primarily write on both an admitted and non-admitted basis. Specialty product lines include: casualty; construction; executive assurance; healthcare; national accounts casualty; professional liability; programs; property, energy, marine and aviation; surety; travel and accident; and other (consisting of excess workers' compensation, employers' liability and collateral protection business).

The reinsurance segment consists of the Company's reinsurance underwriting subsidiaries. The reinsurance segment generally seeks to write significant lines on specialty property and casualty reinsurance contracts. Classes of business include: casualty; marine and aviation; other specialty; property catastrophe; property excluding property catastrophe (losses on a single risk, both excess of loss and pro rata); and other (consisting of non-traditional, casualty clash and other business).

Corporate and other (non-underwriting) includes net investment income, other income (loss), other expenses incurred by the Company, interest expense, net realized gains or losses, net impairment losses included in earnings, equity in net income (loss) of investment funds accounted for using the equity method, net foreign exchange gains or losses, income taxes and dividends on the Company's non-cumulative preferred shares.

Arch Capital Group Ltd. and Subsidiaries
Segment Information -- Three Months Ended March 31, 2012 and 2011
(U.S. dollars in thousands)

	Three Months Ended March 31, 2012			Three Months Ended March 31, 2011		
	Insurance	Reinsurance	Total	Insurance	Reinsurance	Total
Gross premiums written (1).....	\$688,113	\$379,976	\$1,066,656	\$634,583	\$331,013	\$964,566
Net premiums written	490,680	372,931	863,611	449,291	314,987	764,278
Net premiums earned	\$441,740	\$238,572	\$680,312	\$407,591	\$226,104	\$633,695
Fee income.....	530	13	543	778	37	815
Losses and loss adjustment expenses	(303,164)	(92,043)	(395,207)	(297,723)	(196,157)	(493,880)
Acquisition expenses, net	(73,870)	(45,092)	(118,962)	(61,415)	(47,339)	(108,754)
Other operating expenses	(73,370)	(26,123)	(99,493)	(74,629)	(21,227)	(95,856)
Underwriting income (loss).....	<u>(\$8,134)</u>	<u>\$75,327</u>	67,193	<u>(\$25,398)</u>	<u>(\$38,582)</u>	(63,980)
Net investment income			74,297			88,307
Net realized gains.....			44,121			20,695
Net impairment losses recognized in earnings.....			(1,023)			(2,680)
Equity in net income (loss) of investment funds accounted for using the equity method.....			24,826			29,673
Other income (loss).....			(8,068)			4,567
Other expenses			(6,979)			(7,026)
Interest expense.....			(7,521)			(7,721)
Net foreign exchange losses.....			(20,688)			(36,912)
Income before income taxes.....			166,158			24,923
Income tax (expense) benefit.....			(1,902)			550
Net income.....			164,256			25,473
Preferred dividends.....			(6,461)			(6,461)
Net income available to common shareholders.....			<u>\$157,795</u>			<u>\$19,012</u>
Underwriting Ratios						
Loss ratio	68.6%	38.6%	58.1%	73.0%	86.8%	77.9%
Acquisition expense ratio (2).....	16.6%	18.9%	17.4%	14.9%	20.9%	17.0%
Other operating expense ratio	16.6%	10.9%	14.6%	18.3%	9.4%	15.1%
Combined ratio	<u>101.8%</u>	<u>68.4%</u>	<u>90.1%</u>	<u>106.2%</u>	<u>117.1%</u>	<u>110.0%</u>
Net premiums written to gross premiums written.....	71.3%	98.1%	81.0%	70.8%	95.2%	79.2%

(1) Certain amounts included in the gross premiums written of each segment are related to intersegment transactions and are included in the gross premiums written of each segment. Accordingly, the sum of gross premiums written for each segment does not agree to the total gross premiums written as shown in the table above due to the elimination of intersegment transactions in the total.

(2) The acquisition expense ratio is adjusted to include certain fee income.

Arch Capital Group Ltd. and Subsidiaries
Segment Information -- Insurance Segment
(U.S. dollars in thousands)

	Three Months Ended			
	March 31,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Net premiums written				
Property, energy, marine and aviation.....	\$79,819	16.3	\$76,418	17.0
Programs.....	81,616	16.6	74,396	16.6
Professional liability.....	70,561	14.4	59,385	13.2
Executive assurance.....	68,378	13.9	56,068	12.5
National accounts.....	35,438	7.2	40,191	8.9
Construction.....	33,653	6.9	31,509	7.0
Casualty.....	26,973	5.5	30,134	6.7
Travel and accident.....	22,836	4.7	21,501	4.8
Lenders products.....	22,415	4.6	21,074	4.7
Healthcare.....	10,635	2.2	9,117	2.0
Surety.....	12,134	2.5	9,734	2.2
Other (1).....	26,222	5.2	19,764	4.4
Total	<u>\$490,680</u>	<u>100.0</u>	<u>\$449,291</u>	<u>100.0</u>
Net premiums earned				
Property, energy, marine and aviation.....	\$78,494	17.8	\$73,599	18.1
Programs.....	73,998	16.8	67,018	16.4
Professional liability.....	63,256	14.3	67,400	16.5
Executive assurance.....	58,766	13.3	54,570	13.4
National accounts.....	19,136	4.3	21,162	5.2
Construction.....	31,808	7.2	28,391	7.0
Casualty.....	29,065	6.6	28,427	7.0
Travel and accident.....	16,713	3.8	15,599	3.8
Lenders products.....	32,153	7.3	18,236	4.5
Healthcare.....	8,898	2.0	8,652	2.1
Surety.....	10,560	2.4	9,779	2.4
Other (1).....	18,893	4.2	14,758	3.6
Total	<u>\$441,740</u>	<u>100.0</u>	<u>\$407,591</u>	<u>100.0</u>
Net premiums written by client location				
United States.....	\$334,553	68.2	\$305,216	67.9
Europe.....	107,631	21.9	100,091	22.3
Other.....	48,496	9.9	43,984	9.8
Total	<u>\$490,680</u>	<u>100.0</u>	<u>\$449,291</u>	<u>100.0</u>
Net premiums written by underwriting location				
United States.....	\$321,559	65.5	\$295,043	65.7
Europe.....	152,615	31.1	135,536	30.2
Other.....	16,506	3.4	18,712	4.1
Total	<u>\$490,680</u>	<u>100.0</u>	<u>\$449,291</u>	<u>100.0</u>

(1) Includes excess workers' compensation, employer's liability, alternative markets and accident and health business.

Arch Capital Group Ltd. and Subsidiaries
Segment Information -- Insurance Segment
(U.S. dollars in thousands)

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Gross premiums written.....	\$688,113	\$540,617	\$634,280	\$635,005	\$634,583	\$527,783	\$624,490	\$616,353	\$633,576
Net premiums written	490,680	360,739	472,986	438,263	449,291	351,841	431,361	422,837	452,924
Net premiums earned	\$441,740	\$422,667	\$437,970	\$410,819	\$407,591	\$404,275	\$411,881	\$405,473	\$429,477
Fee income	530	729	661	702	778	761	864	874	753
Losses and loss adjustment expenses	(303,164)	(282,769)	(290,608)	(301,642)	(297,723)	(264,848)	(265,411)	(275,294)	(312,011)
Acquisition expenses, net	(73,870)	(73,975)	(76,763)	(66,543)	(61,415)	(63,102)	(67,309)	(65,359)	(67,431)
Other operating expenses	(73,370)	(77,593)	(77,801)	(77,774)	(74,629)	(82,535)	(76,892)	(72,533)	(80,772)
Underwriting income (loss).....	(\$8,134)	(\$10,941)	(\$6,541)	(\$34,438)	(\$25,398)	(\$5,449)	\$3,133	(\$6,839)	(\$29,984)
Underwriting Ratios									
Loss ratio	68.6%	66.9%	66.4%	73.4%	73.0%	65.5%	64.4%	67.9%	72.6%
Acquisition expense ratio (1).....	16.6%	17.3%	17.4%	16.0%	14.9%	15.4%	16.1%	15.9%	15.5%
Other operating expense ratio	16.6%	18.4%	17.8%	18.9%	18.3%	20.4%	18.7%	17.9%	18.8%
Combined ratio	101.8%	102.6%	101.6%	108.3%	106.2%	101.3%	99.2%	101.7%	106.9%
Net premiums written									
Property, energy, marine and aviation.....	\$79,819	\$41,244	\$114,631	\$103,296	\$76,418	\$44,258	\$88,412	\$88,194	\$100,665
Programs.....	81,616	62,874	79,086	81,629	74,396	60,969	68,264	73,345	70,498
Professional liability.....	70,561	54,085	66,484	57,906	59,385	51,559	78,873	70,626	67,118
Executive assurance.....	68,378	59,035	62,328	53,974	56,068	54,448	51,503	52,514	60,993
National accounts.....	35,438	19,110	17,275	4,397	40,191	14,024	19,215	3,877	30,809
Construction.....	33,653	22,912	23,576	42,408	31,509	20,014	20,245	44,276	28,292
Casualty.....	26,973	28,599	30,563	24,939	30,134	27,389	28,493	26,617	25,463
Travel and accident.....	22,836	13,751	17,404	19,284	21,501	14,486	19,673	15,272	21,806
Lenders products.....	22,415	21,543	22,551	21,526	21,074	30,942	23,452	22,208	16,319
Healthcare.....	10,635	9,303	8,810	8,422	9,117	10,290	8,705	9,989	8,524
Surety.....	12,134	12,734	10,389	9,618	9,734	7,918	11,128	7,012	8,091
Other (2).....	26,222	15,549	19,889	10,864	19,764	15,544	13,398	8,907	14,346
Total	\$490,680	\$360,739	\$472,986	\$438,263	\$449,291	\$351,841	\$431,361	\$422,837	\$452,924
Net premiums earned									
Property, energy, marine and aviation.....	\$78,494	\$79,979	\$92,288	\$76,644	\$73,599	\$77,811	\$82,301	\$80,818	\$95,037
Programs.....	73,998	75,085	73,561	71,934	67,018	69,462	68,404	68,381	66,159
Professional liability.....	63,256	62,467	64,403	57,767	67,400	63,152	69,900	63,642	67,909
Executive assurance.....	58,766	56,782	56,783	60,488	54,570	55,270	51,675	54,958	56,232
National accounts.....	19,136	20,572	19,642	18,166	21,162	17,360	18,595	16,810	21,773
Construction.....	31,808	28,569	28,590	27,214	28,391	26,837	25,664	27,982	28,911
Casualty.....	29,065	28,093	30,305	24,829	28,427	25,893	27,503	28,148	28,069
Travel and accident.....	16,713	15,840	19,051	19,455	15,599	15,705	17,418	17,590	16,078
Lenders products.....	32,153	18,796	18,293	19,966	18,236	19,617	17,593	17,153	16,807
Healthcare.....	8,898	8,825	9,340	9,089	8,652	9,701	9,738	10,340	9,943
Surety.....	10,560	11,847	10,091	9,402	9,779	9,810	9,876	8,023	10,258
Other (2).....	18,893	15,812	15,623	15,865	14,758	13,657	13,214	11,628	12,301
Total	\$441,740	\$422,667	\$437,970	\$410,819	\$407,591	\$404,275	\$411,881	\$405,473	\$429,477

(1) The acquisition expense ratio is adjusted to include certain fee income.

(2) Includes excess workers' compensation, employer's liability, alternative markets and accident and health business.

Arch Capital Group Ltd. and Subsidiaries
Segment Information -- Reinsurance Segment
(U.S. dollars in thousands)

	Three Months Ended			
	March 31,			
	2012		2011	
	Amount	% of Total	Amount	% of Total
Net premiums written				
Casualty (1).....	\$83,960	22.5	\$71,361	22.7
Property excluding property catastrophe (2).....	75,493	20.2	71,150	22.6
Other specialty.....	95,462	25.6	77,645	24.7
Property catastrophe.....	86,574	23.2	66,961	21.3
Marine and aviation.....	25,617	6.9	24,164	7.7
Other.....	5,825	1.6	3,706	1.0
Total	<u>\$372,931</u>	<u>100.0</u>	<u>\$314,987</u>	<u>100.0</u>
Net premiums earned				
Casualty (1).....	\$45,943	19.3	\$48,494	21.4
Property excluding property catastrophe (2).....	61,632	25.8	63,006	27.9
Other specialty.....	46,148	19.3	38,969	17.2
Property catastrophe.....	61,863	25.9	51,642	22.8
Marine and aviation.....	21,449	9.0	21,626	9.6
Other.....	1,537	0.7	2,367	1.1
Total	<u>\$238,572</u>	<u>100.0</u>	<u>\$226,104</u>	<u>100.0</u>
Net premiums written				
Pro rata.....	\$124,746	33.5	\$105,492	33.5
Excess of loss.....	248,185	66.5	209,495	66.5
Total	<u>\$372,931</u>	<u>100.0</u>	<u>\$314,987</u>	<u>100.0</u>
Net premiums earned				
Pro rata.....	\$99,925	41.9	\$106,653	47.2
Excess of loss.....	138,647	58.1	119,451	52.8
Total	<u>\$238,572</u>	<u>100.0</u>	<u>\$226,104</u>	<u>100.0</u>
Net premiums written by client location				
United States.....	\$174,000	46.7	\$167,215	53.1
Europe.....	140,358	37.6	125,700	39.9
Bermuda.....	29,600	7.9	4,379	1.4
Other.....	28,973	7.8	17,693	5.6
Total	<u>\$372,931</u>	<u>100.0</u>	<u>\$314,987</u>	<u>100.0</u>
Net premiums written by underwriting location				
Bermuda.....	\$155,956	41.8	\$146,596	46.5
United States.....	129,459	34.7	113,756	36.1
Other.....	87,516	23.5	54,635	17.4
Total	<u>\$372,931</u>	<u>100.0</u>	<u>\$314,987</u>	<u>100.0</u>

(1) Includes professional liability, executive assurance and healthcare business.

(2) Includes facultative business.

Arch Capital Group Ltd. and Subsidiaries
Segment Information -- Reinsurance Segment
(U.S. dollars in thousands)

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Gross premiums written.....	\$379,976	\$161,904	\$227,837	\$277,766	\$331,013	\$139,015	\$208,770	\$203,695	\$323,477
Net premiums written	372,931	150,385	218,395	268,280	314,987	131,070	204,756	201,421	314,830
Net premiums earned	\$238,572	\$250,525	\$244,079	\$232,060	\$226,104	\$227,871	\$215,528	\$217,538	\$240,440
Fee income	13	253	187	82	37	2,053	10	9	41
Losses and loss adjustment expenses	(92,043)	(95,298)	(133,376)	(129,980)	(196,157)	(102,478)	(93,782)	(87,851)	(116,040)
Acquisition expenses, net	(45,092)	(49,364)	(43,442)	(44,096)	(47,339)	(41,722)	(43,970)	(42,116)	(50,193)
Other operating expenses	(26,123)	(25,707)	(22,340)	(23,671)	(21,227)	(29,693)	(20,355)	(20,215)	(20,987)
Underwriting income (loss).....	<u>\$75,327</u>	<u>\$80,409</u>	<u>\$45,108</u>	<u>\$34,395</u>	<u>(\$38,582)</u>	<u>\$56,031</u>	<u>\$57,431</u>	<u>\$67,365</u>	<u>\$53,261</u>
Underwriting Ratios									
Loss ratio	38.6%	38.0%	54.6%	56.0%	86.8%	45.0%	43.5%	40.4%	48.3%
Acquisition expense ratio.....	18.9%	19.7%	17.8%	19.0%	20.9%	18.3%	20.4%	19.4%	20.9%
Other operating expense ratio	10.9%	10.3%	9.2%	10.2%	9.4%	13.0%	9.4%	9.3%	8.7%
Combined ratio	<u>68.4%</u>	<u>68.0%</u>	<u>81.6%</u>	<u>85.2%</u>	<u>117.1%</u>	<u>76.3%</u>	<u>73.3%</u>	<u>69.1%</u>	<u>77.9%</u>
Net premiums written									
Casualty (1).....	\$83,960	\$34,968	\$34,873	\$40,755	\$71,361	\$32,274	\$38,276	\$43,642	\$72,582
Property excluding property catastrophe (2).....	75,493	36,430	64,495	53,938	71,150	46,835	70,149	57,880	74,927
Other specialty.....	95,462	48,555	40,882	43,937	77,645	27,008	30,468	18,920	54,762
Property catastrophe.....	86,574	11,636	59,961	108,235	66,961	3,529	40,255	70,403	88,802
Marine and aviation.....	25,617	16,130	17,037	19,978	24,164	21,303	24,913	9,609	21,238
Other.....	5,825	2,666	1,147	1,437	3,706	121	695	967	2,519
Total	<u>\$372,931</u>	<u>\$150,385</u>	<u>\$218,395</u>	<u>\$268,280</u>	<u>\$314,987</u>	<u>\$131,070</u>	<u>\$204,756</u>	<u>\$201,421</u>	<u>\$314,830</u>
Net premiums earned									
Casualty (1).....	\$45,943	\$47,317	\$49,066	\$51,493	\$48,494	\$48,609	\$52,792	\$59,501	\$70,436
Property excluding property catastrophe (2).....	61,632	60,607	62,565	57,524	63,006	70,744	66,438	65,742	79,239
Other specialty.....	46,148	60,891	48,722	40,511	38,969	30,296	25,254	22,292	17,769
Property catastrophe.....	61,863	62,408	64,910	59,788	51,642	54,768	54,206	52,301	53,873
Marine and aviation.....	21,449	17,361	17,739	21,093	21,626	22,445	16,106	16,263	18,072
Other.....	1,537	1,941	1,077	1,651	2,367	1,009	732	1,439	1,051
Total	<u>\$238,572</u>	<u>\$250,525</u>	<u>\$244,079</u>	<u>\$232,060</u>	<u>\$226,104</u>	<u>\$227,871</u>	<u>\$215,528</u>	<u>\$217,538</u>	<u>\$240,440</u>

(1) Includes professional liability, executive assurance and healthcare business.

(2) Includes facultative business.

Arch Capital Group Ltd. and Subsidiaries
Investment Information -- Investable Asset Summary, Investment Portfolio Metrics and Credit Quality Distribution
(U.S. dollars in thousands)

	March 31, 2012		December 31, 2011		September 30, 2011		June 30, 2011		March 31, 2011	
Investable assets:										
Fixed maturities available for sale, at fair value.....	9,221,145	74%	\$9,375,604	76%	\$9,529,834	78%	\$9,247,002	77%	\$8,916,017	76%
Fixed maturities, at fair value (1).....	250,805	2%	147,779	1%	122,866	1%	102,897	1%	117,391	1%
Fixed maturities pledged under securities lending agreements, at fair value (2).....	50,813	0%	56,393	1%	72,399	1%	150,501	1%	161,888	1%
Total fixed maturities.....	9,522,763	76%	9,579,776	78%	9,725,099	80%	9,500,400	79%	9,195,296	78%
Short-term investments available for sale, at fair value.....	1,112,249	9%	904,219	7%	799,662	6%	704,495	6%	1,130,142	10%
Short-term investments pledged under securities lending agreements, at fair value (2).....	-	0%	-	0%	-	0%	-	0%	36,530	0%
Cash.....	422,806	3%	351,699	3%	369,895	3%	411,001	3%	406,877	3%
Equity securities available for sale, at fair value.....	318,181	3%	299,584	2%	273,213	2%	320,434	3%	361,639	3%
Equity securities, at fair value (1).....	52,766	0%	87,403	1%	100,719	1%	152,844	1%	100,117	1%
Other investments available for sale, at fair value.....	357,992	3%	238,111	2%	229,974	2%	299,845	2%	293,073	2%
Other investments, at fair value (1).....	196,712	2%	131,721	1%	95,796	1%	66,049	1%	39,106	0%
TALF investments, at fair value (3).....	313,187	2%	387,702	3%	392,455	3%	399,341	3%	400,970	3%
Investments accounted for using the equity method.....	347,273	3%	380,507	3%	383,543	3%	399,968	3%	449,206	4%
Securities sold but not yet purchased.....	(18,831)	0%	(27,178)	0%	(46,526)	0%	(51,626)	0%	(41,863)	0%
Securities transactions entered into but not settled at the balance sheet date.....	(121,435)	(1%)	(17,339)	0%	(94,403)	(1%)	(104,856)	(1%)	(516,682)	(4%)
Total investable assets.....	\$12,503,663	100%	\$12,316,205	100%	\$12,229,427	100%	\$12,097,895	100%	\$11,854,411	100%

Investment portfolio metrics (1):

Average effective duration (in years).....	2.75	2.99	3.17	2.87	2.73
Average S&P/Moody's credit ratings (4).....	AA/Aa2	AA/Aa1	AA+/Aa1	AA+/Aa1	AA+/Aa1
Imbedded book yield (before investment expenses).....	2.76%	2.98%	3.09%	3.23%	3.36%

Credit quality distribution of total fixed maturities (5):

U.S. government and government agencies (6).....	\$2,850,031	30%	\$3,154,480	33%	\$2,968,250	30%	\$2,880,650	30%	\$2,628,362	29%
AAA.....	3,420,490	36%	3,229,161	34%	3,453,116	36%	3,622,886	38%	3,806,887	41%
AA.....	1,383,663	14%	1,425,249	15%	1,531,869	16%	1,194,430	13%	1,043,463	11%
A.....	917,925	10%	884,957	9%	754,421	8%	765,831	8%	697,002	7%
BBB.....	398,645	4%	412,566	4%	555,023	6%	472,491	5%	425,913	5%
BB.....	157,427	2%	140,029	1%	151,665	1%	158,517	2%	154,537	2%
B.....	172,360	2%	165,003	2%	140,571	1%	241,538	2%	250,318	3%
Lower than B.....	125,134	1%	114,672	1%	106,775	1%	97,748	1%	100,409	1%
Not rated.....	97,088	1%	53,659	1%	63,409	1%	66,309	1%	88,405	1%
Total fixed maturities, at fair value.....	\$9,522,763	100%	\$9,579,776	100%	\$9,725,099	100%	\$9,500,400	100%	\$9,195,296	100%

- (1) Represents securities which are carried at fair value under the fair value option and reflected as "investments accounted for using the fair value option" on the balance sheet.
- (2) In securities lending transactions, the Company receives collateral in excess of the fair value of the fixed maturities and short-term investments pledged under securities lending. This table excludes the collateral received and reinvested and includes the fixed maturities and short-term investments pledged under securities lending agreements, at fair value.
- (3) The Company participates in the Federal Reserve's Term Asset-Backed Securities Loan Facility ("TALF"), which provides secured financing for asset-backed securities backed by certain types of consumer and small-business loans and legacy commercial mortgage-backed securities. TALF financing is non-recourse to the Company, is collateralized by the purchased securities and provides financing for the purchase price of the securities, less a 'haircut' that varies based on the type of collateral. The Company can deliver the collateralized securities to the Federal Reserve in full payment of the loan and is carrying the investments and borrowings at fair value.
- (4) Average credit ratings on the Company's investment portfolio on securities with ratings assigned by Standard & Poor's ("S&P") and Moody's Investors Service ("Moody's").
- (5) For individual fixed maturities, S&P ratings are used. In the absence of an S&P rating, ratings from Moody's are used, followed by ratings from Fitch Ratings.
- (6) Includes U.S. government-sponsored agency mortgage backed securities and agency commercial mortgage backed securities.

Arch Capital Group Ltd. and Subsidiaries
Investment Information -- Composition of Fixed Maturities and Analysis of Corporate Exposures
(U.S. dollars in thousands)

Composition of Fixed Maturities

The following table summarizes the Company's fixed maturities and fixed maturities pledged under securities lending agreements, excluding TALF investments, at March 31, 2012:

	Fair Value	Gross Unrealized Gains	Gross Unrealized Losses	Net Unrealized Gains (Losses)	Amortized Cost	Fair Value / Amortized Cost
Corporates.....	\$2,529,559	\$81,713	(\$10,875)	\$70,838	\$2,458,721	102.9%
Non-U.S. government-backed corporates.....	205,172	8,465	(388)	8,077	197,095	104.1%
FDIC guaranteed corporates.....	76,815	615	-	615	76,200	100.8%
U.S. government and government agencies.....	1,254,434	19,500	(4,295)	15,205	1,239,229	101.2%
Agency mortgage-backed securities.....	1,213,144	22,232	(779)	21,453	1,191,691	101.8%
Non-agency mortgage-backed securities.....	281,824	4,515	(13,998)	(9,483)	291,307	96.7%
Agency commercial mortgage-backed securities.....	382,453	8,984	(1,150)	7,834	374,619	102.1%
Non-agency commercial mortgage-backed securities.....	742,214	26,737	(1,501)	25,236	716,978	103.5%
Municipal bonds.....	1,301,255	64,044	(1,381)	62,663	1,238,592	105.1%
Non-U.S. government securities.....	912,020	30,517	(9,552)	20,965	891,055	102.4%
Asset-backed securities.....	623,873	16,033	(6,132)	9,901	613,972	101.6%
Total.....	<u>\$9,522,763</u>	<u>\$283,355</u>	<u>(\$50,051)</u>	<u>\$233,304</u>	<u>\$9,289,459</u>	<u>102.5%</u>

Corporates (Excluding Guaranteed Amounts)

The following table summarizes the Company's corporate bonds by sector and by credit quality at March 31, 2012, excluding guaranteed amounts:

	Estimated Fair Value		
	Total	% of Asset Class	% of Investable Assets
Sector:			
Financials.....	\$951,924	37.6%	7.6%
Industrials.....	1,171,754	46.3%	9.4%
Utilities.....	96,544	3.8%	0.8%
Foreign agencies.....	51,263	2.0%	0.4%
All other (1).....	258,074	10.3%	2.1%
Total.....	<u>\$2,529,559</u>	<u>100.0%</u>	<u>20.2%</u>
Credit quality distribution (3):			
AAA.....	\$697,660	27.6%	5.6%
AA.....	357,925	14.1%	2.9%
A.....	729,460	28.8%	5.8%
BBB.....	351,605	13.9%	2.8%
BB.....	128,103	5.1%	1.0%
B.....	146,256	5.8%	1.2%
Lower than B.....	21,470	0.8%	0.2%
Not rated.....	97,080	3.9%	0.8%
Total.....	<u>\$2,529,559</u>	<u>100.0%</u>	<u>20.2%</u>

The following table summarizes the Company's top ten exposures to fixed income corporate issuers by fair value at March 31, 2012, excluding guaranteed amounts and covered bonds:

Issuer	Estimated Fair Value	% of Asset Class	% of Investable Assets	Credit Rating (2)
General Electric Co.....	\$45,315	1.8%	0.4%	AA+/Aa2
Abbey National Treasury Svcs.....	31,335	1.2%	0.3%	A+/A1
Caterpillar Inc.....	31,290	1.2%	0.3%	A/A2
Total SA.....	29,032	1.1%	0.2%	Aa-/Aa1
Royal Dutch Shell PLC.....	28,213	1.1%	0.2%	AA/Aa1
National Australia Bank Ltd.....	27,879	1.1%	0.2%	Aa-/Aa2
Coca-Cola Company.....	26,579	1.1%	0.2%	A+/Aa3
Verizon Communications Inc.....	26,078	1.0%	0.2%	A-/A3
HSBC Holdings PLC.....	25,925	1.0%	0.2%	A/A3
Berkshire Hathaway Inc.....	25,281	1.0%	0.2%	A/A2
Total.....	<u>\$296,927</u>	<u>11.7%</u>	<u>2.4%</u>	

(1) Includes sovereign securities, supranational securities and other.

(2) Ratings as assigned by S&P and Moody's, respectively.

(3) For individual fixed maturities, S&P ratings are used. In the absence of an S&P rating, ratings from Moody's are used, followed by ratings from Fitch Ratings.

Arch Capital Group Ltd. and Subsidiaries
Investment Information -- Mortgage Backed, Commercial Mortgage Backed and Asset Backed Securities
(U.S. dollars in thousands)

The following table provides information on the Company's mortgage-backed securities (MBS) and commercial mortgage-backed securities (CMBS) at March 31, 2012, excluding amounts guaranteed by the U.S. government:

	Issuance Year	Amortized Cost	Average Credit Quality	Estimated Fair Value			Additional Statistics	Non-Agency MBS		Non-Agency CMBS (1)
				Total	% of Amortized Cost	% of Investable Assets		Re-REMICs	All Other	
Non-agency MBS:	2003	\$2,378	AAA	\$2,402	101.0%	0.0%	Wtd. average loan age (months)	69	68	46
	2004	14,472	BBB	13,455	93.0%	0.1%	Wtd. average life (months) (2)	30	61	36
	2005	46,202	B	42,140	91.2%	0.3%	Wtd. average loan-to-value % (3)	70.1%	67.9%	64.4%
	2006	57,247	BBB	52,964	92.5%	0.4%	Total delinquencies (4)	20.5%	19.4%	4.0%
	2007	47,338	CCC-	45,215	95.5%	0.4%	Current credit support % (5)	42.6%	11.4%	28.7%
	2008	6,911	CCC-	6,781	98.1%	0.1%				
	2009 (6)	32,481	AAA	35,086	108.0%	0.3%	(1) Loans defeased with government/agency obligations represented approximately 2.7% of the collateral underlying the Company's CMBS holdings.			
	2010 (6)	30,612	AAA	29,732	97.1%	0.2%	(2) The weighted average life for MBS is based on the interest rates in effect at March 31, 2012. The weighted average life for CMBS reflects the average life of the collateral underlying the Company's CMBS holdings.			
	2012 (6)	53,666	AAA	54,049	100.7%	0.4%	(3) The range of loan-to-values on MBS is 31% to 87%, while the range of loan-to-values on CMBS is 31% to 95%.			
Total non-agency MBS		<u>\$291,307</u>	BBB+	<u>\$281,824</u>	<u>96.7%</u>	<u>2.3%</u>	(4) Total delinquencies includes 60 days and over.			
Non-agency CMBS:	1998	\$3,479	AAA	\$3,536	101.6%	0.0%	(5) Current credit support % represents the % for a collateralized mortgage obligation ("CMO") or CMBS class/tranche from other subordinate classes in the same CMO or CMBS deal.			
	2002	9,245	AAA	9,228	99.8%	0.1%	(6) Primarily represents Re-REMICs with an average credit quality of "AAA" from Fitch Ratings.			
	2003	38,287	AAA	39,293	102.6%	0.3%				
	2004	27,757	AAA	27,775	100.1%	0.2%				
	2005	49,205	AAA	49,507	100.6%	0.4%				
	2006	4,255	BBB+	4,131	97.1%	0.0%				
	2007	74,617	AA	80,269	107.6%	0.6%				
	2008	24,925	AA+	24,692	99.1%	0.2%				
	2010	255,803	AAA	263,230	102.9%	2.1%				
	2011	197,548	AAA	208,547	105.6%	1.7%				
	2012	31,857	AAA	32,006	100.5%	0.3%				
Total non-agency CMBS		<u>\$716,978</u>	AAA	<u>\$742,214</u>	<u>103.5%</u>	<u>5.9%</u>				

The following table provides information on the Company's asset-backed securities (ABS) March 31, 2012:

Sector:	Amortized Cost	Average Credit Quality	Estimated Fair Value			
			Total	% of Amortized Cost	% of Investable Assets	
Credit cards (1)	\$238,068	AAA	\$244,377	102.7%	2.0%	The effective duration of the total ABS was 1.71 years at March 31, 2012.
Autos (2)	174,409	AAA	174,100	99.8%	1.4%	(1) The weighted average credit support % on credit cards is 18.6%.
Rate reduction bonds (3)	65,731	AAA	68,478	104.2%	0.5%	(2) The weighted average credit support % on autos is 26.6%.
U.K. securitized (4)	29,320	AAA	29,335	100.1%	0.2%	(3) The weighted average credit support % on rate reduction bonds is 7.7%.
Student loans (5)	1,934	AA+	1,948	100.7%	0.0%	(4) The weighted average credit support % on U.K. securitized is 18.6%.
Other	86,972	AA-	88,036	101.2%	0.7%	(5) The weighted average credit support % on student loans is 11.3%.
	596,434	AA+	606,274	101.6%	4.8%	(6) The weighted average credit support % on home equity is 24.7%.
Home equity (6)	\$2,895	AAA	\$2,552	88.2%	0.0%	The Company's investment portfolio included \$44 million par in sub-prime securities at March 31, 2012, with an estimated fair value of \$20.7 million and an average credit quality of "BB/Ba3." Such amounts were primarily in the home equity sector with the balance in other ABS, MBS and CMBS sectors. In addition, the portfolio of collateral backing the Company's securities lending program contains approximately \$6.2 million estimated fair value of sub-prime securities with an average credit quality of "CCC/Caa2."
	1,279	BBB	1,169	91.4%	0.0%	
	8,828	BB to B	8,499	96.3%	0.1%	
	4,362	CCC to C	5,296	121.4%	0.0%	
	174	D	83	47.7%	0.0%	
	17,538	B+	17,599	100.3%	0.1%	
Total ABS	<u>\$613,972</u>	AA+	<u>\$623,873</u>	<u>101.6%</u>	<u>5.0%</u>	

Arch Capital Group Ltd. and Subsidiaries
Investment Information -- Bank Loan Investments
(U.S. dollars in thousands)

Bank Loan Investments

The Company's investments in bank loans are included in the following categories at March 31, 2012:

	Fair Value	% of Asset Class	% of Investable Assets
Composition:			
Investment funds accounted for using the equity method.....	\$121,284	35.9%	1.0%
Corporate bonds.....	93,550	27.7%	0.7%
Other investments.....	122,695	36.4%	1.0%
Total.....	<u>\$337,529</u>	<u>100.0%</u>	<u>2.7%</u>
Currency:			
U.S.-denominated.....	\$243,036	72.0%	1.9%
Euro-denominated.....	94,493	28.0%	0.8%
Total.....	<u>\$337,529</u>	<u>100.0%</u>	<u>2.7%</u>
Sector:			
Consumer cyclical.....	\$60,257	17.9%	0.5%
Media.....	42,439	12.6%	0.3%
Consumer non-cyclical.....	39,409	11.7%	0.3%
Basic materials.....	31,826	9.4%	0.3%
Industrials.....	26,502	7.9%	0.2%
Utilities.....	12,180	3.6%	0.1%
All other.....	124,916	36.9%	1.0%
Total.....	<u>\$337,529</u>	<u>100.0%</u>	<u>2.7%</u>
Weighted average rating factor (Moody's).....	B2		

Arch Capital Group Ltd. and Subsidiaries
Investment Information -- Eurozone Investments
(U.S. dollars in thousands)

Composition of Eurozone Fixed Maturities

The fair value of the Company's Eurozone fixed maturities are as follows at March 31, 2012:

Country (1):	Sovereign (2)	Financial Corporates	Other Corporates	Covered Bonds (3)	Bank Loans (4)	Equities and Other (5)	Total
Germany.....	\$194,372	\$19,982	\$2,353	\$0	\$25,076	\$1,056	\$242,839
Netherlands.....	3,114	38,878	45,254	30,469	7,596	18,969	144,280
France.....	-	-	30,070	40,407	4,853	10,388	85,718
Finland.....	98,497	250	-	-	-	-	98,747
Supranational (6).....	83,286	-	-	-	-	-	83,286
Spain.....	-	-	784	13,436	5,750	224	20,194
Luxembourg.....	-	-	22,741	-	2,535	27	25,303
Italy.....	947	-	3,773	-	1,245	(188)	5,777
Belgium.....	-	1,972	-	-	-	-	1,972
Ireland.....	-	-	1,424	-	-	-	1,424
Portugal.....	-	-	653	-	-	-	653
Total.....	\$380,216	\$61,082	\$107,052	\$84,312	\$47,055	\$30,476	\$710,193

(1) The country allocations set forth in the table are based on various assumptions made by the Company in assessing the country in which the underlying credit risk resides, including a review of the jurisdiction of organization, business operations and other factors. Based on such analysis, the Company does not believe that it has any Eurozone fixed maturities from Austria, Cyprus, Estonia, Greece, Malta, Slovakia or Slovenia at March 31, 2012.

(2) Sovereign includes securities issued and/or guaranteed by Eurozone governments.

(3) Securities issued by Eurozone banks where the security is backed by a separate group of loans.

(4) Included in "corporate bonds" in the Bank Loan Investments table on page 16.

(5) Includes long or (short) net equity positions and other.

(6) Includes World Bank, European Investment Bank, International Finance Corp. and European Bank for Reconstruction and Development.

Arch Capital Group Ltd. and Subsidiaries Comments on Regulation G

Throughout this financial supplement, the Company presents its operations in the way it believes will be the most meaningful and useful to investors, analysts, rating agencies and others who use the Company's financial information in evaluating the performance of the Company. This presentation includes the use of after-tax operating income available to common shareholders, which is defined as net income available to common shareholders, excluding net realized gains or losses, net impairment losses recognized in earnings, equity in net income or loss of investment funds accounted for using the equity method and net foreign exchange gains or losses, net of income taxes. The presentation of after-tax operating income available to common shareholders is a "non-GAAP financial measure" as defined in Regulation G. The reconciliation of such measure to net income available to common shareholders (the most directly comparable GAAP financial measure) in accordance with Regulation G is included on the following page.

The Company believes that net realized gains or losses, net impairment losses recognized in earnings, equity in net income or loss of investment funds accounted for using the equity method and net foreign exchange gains or losses in any particular period are not indicative of the performance of, or trends in, the Company's business performance. Although net realized gains or losses, net impairment losses recognized in earnings, equity in net income or loss of investment funds accounted for using the equity method and net foreign exchange gains or losses are an integral part of the Company's operations, the decision to realize investment gains or losses, the recognition of net impairment losses recognized in earnings, the recognition of equity in net income or loss of investment funds accounted for using the equity method and the recognition of foreign exchange gains or losses are independent of the insurance underwriting process and result, in large part, from general economic and financial market conditions. Furthermore, certain users of the Company's financial information believe that, for many companies, the timing of the realization of investment gains or losses is largely opportunistic. In addition, net impairment losses recognized in earnings represent other-than-temporary declines in expected recovery values on securities without actual realization. The use of the equity method on certain of the Company's investments in certain funds that invest in fixed maturity securities is driven by the ownership structure of such funds (either limited partnerships or limited liability companies). In applying the equity method, these investments are initially recorded at cost and are subsequently adjusted based on the Company's proportionate share of the net income or loss of the funds (which include changes in the market value of the underlying securities in the funds). This method of accounting is different from the way the Company accounts for its other fixed maturity securities and the timing of the recognition of equity in net income or loss of investment funds accounted for using the equity method may differ from gains or losses in the future upon sale or maturity of such investments. Due to these reasons, the Company excludes net realized gains or losses, net impairment losses recognized in earnings, equity in net income or loss of investment funds accounted for using the equity method and net foreign exchange gains or losses from the calculation of after-tax operating income available to common shareholders.

The Company believes that showing net income available to common shareholders exclusive of the items referred to above reflects the underlying fundamentals of the Company's business since the Company evaluates the performance of and manages its business to produce an underwriting profit. In addition to presenting net income available to common shareholders, the Company believes that this presentation enables investors and other users of the Company's financial information to analyze the Company's performance in a manner similar to how the Company's management analyzes performance. The Company also believes that this measure follows industry practice and, therefore, allows the users of the Company's financial information to compare the Company's performance with its industry peer group. The Company believes that the equity analysts and certain rating agencies which follow the Company and the insurance industry as a whole generally exclude these items from their analyses for the same reasons.

Arch Capital Group Ltd. and Subsidiaries
Operating Income Reconciliation
(U.S. dollars in thousands, except share data)

The following table provides a reconciliation of after-tax operating income available to common shareholders to net income available to common shareholders along with related per common share results:

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
After-tax operating income available to common shareholders.....	\$113,660	\$128,891	\$107,176	\$59,739	\$7,576	\$131,277	\$130,659	\$130,873	\$98,349
Net realized gains, net of tax.....	40,873	13,464	28,458	44,799	21,585	71,821	68,611	61,119	45,503
Net impairment losses recognized in earnings, net of tax.....	(1,023)	(1,959)	(2,739)	(1,684)	(2,680)	(3,230)	(2,075)	(4,410)	(1,606)
Equity in net income (loss) of investment funds accounted for using the equity method, net of tax.....	24,826	(14,702)	(30,549)	5,973	29,673	22,990	9,708	(348)	29,050
Net foreign exchange gains (losses), net of tax.....	(20,541)	13,177	59,948	(18,685)	(37,142)	6,581	(65,346)	48,447	38,855
Net income available to common shareholders.....	<u>\$157,795</u>	<u>\$138,871</u>	<u>\$162,294</u>	<u>\$90,142</u>	<u>\$19,012</u>	<u>\$229,439</u>	<u>\$141,557</u>	<u>\$235,681</u>	<u>\$210,151</u>
Diluted per common share results:									
After-tax operating income available to common shareholders.....	\$0.82	\$0.94	\$0.78	\$0.43	\$0.06	\$0.87	\$0.85	\$0.82	\$0.59
Net realized gains, net of tax.....	0.30	0.10	0.21	0.32	0.15	0.48	0.45	0.38	0.27
Net impairment losses recognized in earnings, net of tax.....	(0.01)	(0.01)	(0.02)	(0.01)	(0.02)	(0.02)	(0.01)	(0.03)	(0.01)
Equity in net income (loss) of investment funds accounted for using the equity method, net of tax.....	0.18	(0.11)	(0.22)	0.04	0.21	0.15	0.06	0.00	0.18
Net foreign exchange gains (losses), net of tax.....	(0.15)	0.09	0.43	(0.13)	(0.26)	0.05	(0.43)	0.30	0.23
Net income available to common shareholders.....	<u>\$1.14</u>	<u>\$1.01</u>	<u>\$1.18</u>	<u>\$0.65</u>	<u>\$0.14</u>	<u>\$1.53</u>	<u>\$0.92</u>	<u>\$1.47</u>	<u>\$1.26</u>
Weighted average common shares and common share equivalents outstanding -- diluted.....	137,814,906	137,473,670	137,140,929	137,975,599	140,460,516	150,306,429	153,546,027	159,795,909	166,541,481

Arch Capital Group Ltd. and Subsidiaries
Share Repurchase Activity
(U.S. dollars in thousands, except share data)

The following table provides an analysis of the Company's share repurchase program:

	Three Months Ended									Cumulative March 31, 2012
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010	
Effect of share repurchases:										
Aggregate cost of										
shares repurchased.....	\$0	\$3	\$20,833	\$29,552	\$237,173	\$258,151	\$53,398	\$269,054	\$181,272	\$2,558,033
Shares repurchased.....	-	100	655,772	881,961	8,062,383	8,679,051	2,043,195	10,932,681	7,589,739	104,758,218
Average price per share										
repurchased.....	-	\$31.51	\$31.77	\$33.51	\$29.42	\$29.74	\$26.13	\$24.61	\$23.88	\$24.42
Average book value per										
common share (1).....	<u>\$32.55</u>	<u>\$31.34</u>	<u>\$30.81</u>	<u>\$30.39</u>	<u>\$29.90</u>	<u>\$29.61</u>	<u>\$28.30</u>	<u>\$26.25</u>	<u>\$24.76</u>	
Average repurchase										
price-to-book multiple.....	<u>-</u>	<u>1.01x</u>	<u>1.03x</u>	<u>1.10x</u>	<u>0.98x</u>	<u>1.00x</u>	<u>0.92x</u>	<u>0.94x</u>	<u>0.96x</u>	
Remaining share repurchase										
authorization (2).....	<u>\$941,967</u>									

(1) Equals average of beginning and ending book value per common share for each period presented.

(2) Repurchases under the share repurchase authorization may be effected from time to time in open market or privately negotiated transactions through December 31, 2012.

Arch Capital Group Ltd. and Subsidiaries
Annualized Operating Return on Average Common Equity
(U.S. dollars in thousands)

The following table provides the calculation of annualized operating return on average common equity:

	Three Months Ended								
	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
After-tax operating income available to common shareholders.....	\$113,660	\$128,891	\$107,176	\$59,739	\$7,576	\$131,277	\$130,659	\$130,873	\$98,349
Annualized after-tax operating income available to common shareholders (a).....	\$454,640	\$515,564	\$428,704	\$238,956	\$30,304	\$525,108	\$522,636	\$523,492	\$393,396
Beginning common shareholders' equity.....	\$4,267,074	\$4,110,899	\$4,078,030	\$3,964,035	\$4,151,786	\$4,354,905	\$4,035,011	\$4,017,074	\$3,962,048
Ending common shareholders' equity.....	4,514,456	4,267,074	4,110,899	4,078,030	3,964,035	4,151,786	4,354,905	4,035,011	4,017,074
Average common shareholders' equity (b).....	\$4,390,765	\$4,188,987	\$4,094,465	\$4,021,033	\$4,057,911	\$4,253,346	\$4,194,958	\$4,026,043	\$3,989,561
Annualized operating return on average common equity (a)/(b).....	10.4%	12.3%	10.5%	5.9%	0.7%	12.3%	12.5%	13.0%	9.9%

Arch Capital Group Ltd. and Subsidiaries
Capital Structure
(U.S. dollars in thousands, except share data)

The following table provides an analysis of the Company's capital structure:

	March 31, 2012	December 31, 2011	September 30, 2011	June 30, 2011	March 31, 2011	December 31, 2010	September 30, 2010	June 30, 2010	March 31, 2010
Debt:									
Senior notes, due May 1, 2034 (7.35%).....	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000	\$300,000
Revolving credit agreement borrowings, due August 18, 2014 (variable).....	100,000	100,000	100,000	100,000	100,000	100,000	125,000	125,000	100,000
Total debt.....	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$400,000</u>	<u>\$425,000</u>	<u>\$425,000</u>	<u>\$400,000</u>
Shareholders' Equity									
Series A non-cumulative preferred shares (8.0%) (1).....	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000	\$200,000
Series B non-cumulative preferred shares (7.875%) (1).....	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000	125,000
Preferred shareholders' equity.....	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>	<u>325,000</u>
Common shareholders' equity (a).....	4,514,456	4,267,074	4,110,899	4,078,030	3,964,035	4,151,786	4,354,905	4,035,011	4,017,074
Total shareholders' equity.....	<u>\$4,839,456</u>	<u>\$4,592,074</u>	<u>\$4,435,899</u>	<u>\$4,403,030</u>	<u>\$4,289,035</u>	<u>\$4,476,786</u>	<u>\$4,679,905</u>	<u>\$4,360,011</u>	<u>\$4,342,074</u>
Total capital.....	<u><u>\$5,239,456</u></u>	<u><u>\$4,992,074</u></u>	<u><u>\$4,835,899</u></u>	<u><u>\$4,803,030</u></u>	<u><u>\$4,689,035</u></u>	<u><u>\$4,876,786</u></u>	<u><u>\$5,104,905</u></u>	<u><u>\$4,785,011</u></u>	<u><u>\$4,742,074</u></u>
TALF non-recourse borrowings, at market value, due between 2012 to 2015 (various) (2).....	239,551	310,486	314,137	318,441	322,222	325,770	331,797	336,213	346,746
Total capital and TALF non-recourse borrowings.....	<u>\$5,479,007</u>	<u>\$5,302,560</u>	<u>\$5,150,036</u>	<u>\$5,121,471</u>	<u>\$5,011,257</u>	<u>\$5,202,556</u>	<u>\$5,436,702</u>	<u>\$5,121,224</u>	<u>\$5,088,820</u>
Common shares outstanding, net of treasury shares (b).....	135,441,687	134,358,345	133,005,465	132,771,524	131,850,639	139,632,225	147,676,113	148,891,710	158,129,802
Book value per common share (3) (a)/(b).....	<u>\$33.33</u>	<u>\$31.76</u>	<u>\$30.91</u>	<u>\$30.71</u>	<u>\$30.06</u>	<u>\$29.73</u>	<u>\$29.49</u>	<u>\$27.10</u>	<u>\$25.40</u>
Leverage ratios:									
Senior notes/total capital.....	5.7%	6.0%	6.2%	6.2%	6.4%	6.2%	5.9%	6.3%	6.3%
Revolving credit agreement borrowings/total capital.....	1.9%	2.0%	2.1%	2.1%	2.1%	2.1%	2.4%	2.6%	2.1%
Debt/total capital.....	<u>7.6%</u>	<u>8.0%</u>	<u>8.3%</u>	<u>8.3%</u>	<u>8.5%</u>	<u>8.2%</u>	<u>8.3%</u>	<u>8.9%</u>	<u>8.4%</u>
Preferred/total capital.....	6.2%	6.5%	6.7%	6.8%	6.9%	6.7%	6.4%	6.8%	6.9%
Debt and preferred/total capital.....	<u>13.8%</u>	<u>14.5%</u>	<u>15.0%</u>	<u>15.1%</u>	<u>15.5%</u>	<u>14.9%</u>	<u>14.7%</u>	<u>15.7%</u>	<u>15.3%</u>

- (1) On April 2, 2012, ACGL closed an underwritten public offering of \$325 million of its Series C non-cumulative preferred shares (6.75%), with a liquidation preference of \$25 per share. All of ACGL's Series A and Series B shares will be redeemed on May 2, 2012 at a redemption price of \$25 per share.
- (2) The Company participates in the Federal Reserve's Term Asset-Backed Securities Loan Facility ("TALF"), which provides secured financing for asset-backed securities backed by certain types of consumer and small-business loans and legacy commercial mortgage-backed securities. TALF financing is non-recourse to the Company, is collateralized by the purchased securities and provides financing for the purchase price of the securities, less a 'haircut' that varies based on the type of collateral. The Company can deliver the collateralized securities to the Federal Reserve in full defeasance of the loan. The Company excludes the TALF non-recourse borrowings from the calculations of leverage ratios and total capital due to the nature of the borrowings. If the TALF non-recourse borrowings were included in the leverage ratios and total capital, the ratio of debt to total capital would have been 11.7% and the ratio of debt and preferred to total capital would have been 17.6% at March 31, 2012.
- (3) Excludes the effects of stock options and restricted stock units outstanding. Amounts reflect the adoption of new accounting guidance concerning the accounting for costs associated with acquiring or renewing insurance contracts.