



FOR IMMEDIATE RELEASE

FSA HOLDINGS FOURTH QUARTER 2007 RESULTS

FSA HAS RECORD ANNUAL ORIGINATIONS

NEGATIVE FAIR-VALUE ADJUSTMENTS REDUCE NET INCOME BUT ARE NOT INDICATIVE OF REALIZED LOSSES

New York, New York, February 12, 2008 -- Financial Security Assurance Holdings Ltd. (the Company), a member of the Dexia group and the holding company for bond insurer Financial Security Assurance Inc. (FSA), announced a net loss of \$91.9 million for the fourth quarter of 2007 and \$65.7 million for the full year, due primarily to unrealized negative fair-value adjustments of \$188.6 million for the fourth quarter and \$417.7 million for the year for its insured derivative portfolio, consisting mainly of insured credit default swaps (CDS) on pooled corporate risk. FSA’s total insured CDS portfolio was 96.4% Triple-A or Super Triple-A, 2.5% Double-A and 1.1% Single-A at December 31, 2007.

Operating earnings, which exclude fair-value adjustments for insured derivatives and economic hedges, were \$94.3 million for the fourth quarter of 2007, a 9.5% increase from the fourth-quarter result in 2006, and \$378.0 million for the year, approximately 4.1% higher than for 2006.

Present value (PV) originations, a non-GAAP measure, totaled \$318.4 million for the fourth quarter of 2007, 8.9% higher than for last year. Annual PV originations increased 39.6% to a record \$1,271.0 million in 2007. Premiums from new originations flow into earnings over the life of the transactions, supporting a stable base of future earned premiums.

NET INCOME (LOSS) AND RECONCILIATION TO NON-GAAP OPERATING EARNINGS [1]

(in millions)

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Net income (loss).....	\$ (91.9)	\$ 92.8	\$ (65.7)	\$ 424.2
Less fair-value adjustments for economic hedges	2.4	1.9	(26.0)	40.5
Less fair-value adjustments for investment-grade insured derivatives.....	(188.6)	4.8	(417.7)	20.7
Operating earnings	<u>\$ 94.3</u>	<u>\$ 86.1</u>	<u>\$ 378.0</u>	<u>\$ 363.0</u>

[1] For a discussion of operating earnings and the adjustments made to net income in calculating operating earnings, see below, “Analysis of Financial Results – Operating Earnings.” Also see “Non-GAAP Measures” below for a discussion of measures not promulgated in accordance with accounting principles generally accepted in the United States of America (GAAP).

Shareholders’ equity under GAAP (book value) was \$1.6 billion. Non-GAAP adjusted book value (ABV) was \$4.5 billion at December 31, 2007. Over the past 12 months, after taking dividends into account, ABV grew 18.0%.

In the fourth quarter of 2007, FSA transferred \$63.0 million from the non-specific reserve to case reserves for five home equity line of credit (HELOC) transactions, of which \$6.1 million was paid in the fourth quarter, leaving \$56.9 million in case reserves.

See “Non-GAAP Measures” below for a more detailed discussion of ABV and a reconciliation to U.S. GAAP shareholders’ equity. The Company’s management considers ABV to be an operating measure of the Company’s intrinsic value and discloses ABV because it provides information important to management that would not be available to investors through GAAP disclosure alone.

Robert P. Cochran, chairman and chief executive officer of the Company and FSA, said: “FSA’s performance during unprecedented turbulence in the global credit markets in 2007 confirmed the value of our conservative approach to our business, and the market rewarded us with a record-setting year, as measured by PV originations of nearly \$1.3 billion.

“The unrealized negative mark-to-market adjustments were to be expected as credit spreads widened significantly during the fourth quarter. As we’ve said in the past, these adjustments are mainly due to liquidity dislocations rather than credit deterioration and are not expected to result in realized loss.

“Our insured subprime mortgage and insured credit default swap portfolios, as well as the residential mortgage-backed investments in the Financial Products portfolio, generally continue to maintain their high credit quality. While we have experienced some claims in the insured HELOC portfolio, they should be manageable.

“Beginning in the fourth quarter of 2007, we saw a growing preference for FSA-insured bonds across our markets, especially in U.S. municipal finance. To assist us in taking advantage of these new opportunities, our parent Dexia announced last week that it would contribute \$500 million of additional capital to FSA. This followed reaffirmations of FSA’s Triple-A ratings by Fitch, Moody’s and S&P without consideration of the capital increase. With an already strong capital position, bolstered by this additional capital, we look forward to further building our momentum in 2008.”

BUSINESS PRODUCTION

TOTAL ORIGINATIONS

(in millions)

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Gross par insured	\$ 28,062.6	\$ 33,704.3	\$ 119,134.2	\$ 93,780.7
Gross PV originations [1]	318.4	292.4	1,271.0	910.2

[1] For definition and discussion, see “Non-GAAP Measures” below.

Unless otherwise noted, percentage changes mentioned in this release compare the period named with the comparable period of the previous year.

PUBLIC FINANCE ORIGINATIONS

(in millions)

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
United States:				
Gross par insured	\$ 16,742.1	\$ 16,978.6	\$ 56,949.4	\$ 46,448.2
Gross PV premiums originated [1]	139.6	92.8	388.2	309.6
International:				
Gross par insured	\$ 2,145.4	\$ 2,933.5	\$ 12,501.4	\$ 9,403.9
Gross PV premiums originated	67.9	98.7	404.9	317.7

[1] For definition and discussion, see “Non-GAAP Measures” below. For a reconciliation of PV premiums originated to gross premiums written, see “Analysis of Financial Results – Premiums” below.

Full-year 2007 estimated U.S. municipal market volume of \$429.0 billion was 10% higher than in 2006 and the highest market volume on record. Insurance penetration was approximately 47%, compared with 49% in 2006. FSA insured approximately 25% of the par amount of insured new U.S. municipal bond issues sold during 2007. In December, FSA’s share of the insured market exceeded 50%. During the fourth quarter, municipal market volume slowed down, as issuers scaled back borrowing in response to market volatility and wider credit spreads.

In the U.S., the par amount insured by FSA in the fourth quarter decreased 1.4%, but PV premiums originated increased 50.4%. The significant increase in PV premiums was due to FSA’s ability to achieve attractive pricing across sectors based on the market’s growing preference for FSA-insured bonds. Approximately 91% of bonds insured had an underlying credit quality of Single-A or higher. For the year, U.S. municipal par insured increased 22.6%, and PV premiums increased 25.4%.

International public finance par originated decreased 26.9%, and PV premiums originated decreased 31.2% in the fourth quarter. Results in this sector tend to be irregular because of the timing of large transactions with long development periods. For the full year, international public finance par insured increased 32.9% to \$12.5 billion, and PV premiums originated increased 27.4% to a record \$404.9 million, driven by a significant number of large transactions in diverse sectors, such as transportation, health care and utilities. While FSA was most active in the United Kingdom and Europe, it also insured issues in Canada, Mexico, Australia, New Zealand, Japan and South Korea.

ASSET-BACKED ORIGINATIONS

(in millions)

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
United States:				
Gross par insured	\$ 6,978.8	\$ 10,579.7	\$ 40,446.1	\$ 28,647.7
Gross PV premiums originated	89.9	39.4	322.3	113.4
International:				
Gross par insured	\$ 2,196.3	\$ 3,212.5	\$ 9,237.3	\$ 9,280.9
Gross PV premiums originated	17.7	26.0	67.7	49.0

In the fourth quarter, FSA's U.S. asset-backed production decreased by 34.0% in par originated and increased by 128.2% in PV premiums originated. The business was primarily focused on Super-Triple-A pooled corporate credit default swaps, where FSA found particularly strong opportunities based on widening spreads. FSA also selectively insured a number of high-quality residential mortgage-backed (RMBS) transactions in the primary and secondary markets. While the issuance of RMBS and ABS has slowed, there is heightened demand for FSA's guaranty. For the year, FSA increased U.S. asset-backed par originated 41.2%. Due to spread widening and longer average lives of transactions, PV premiums originated grew 184.2%.

Outside the United States, FSA's asset-backed par insured decreased 31.6% for the fourth quarter, primarily due to reduced issuance in the collateralized loan obligation market, and PV premiums originated decreased 31.9%. For the year, FSA's international asset-backed par originations were flat, while PV premiums originated grew 38.2%. As in the U.S., the increase in PV premiums relative to par originated was primarily due to spread widening.

FINANCIAL PRODUCTS ORIGINATIONS

(in millions)

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Gross PV NIM originated.....	\$ 3.3	\$ 35.5	\$87.9	\$ 120.5

In the financial products (FP) segment, the present value of net interest margin originated (PV NIM originated) decreased 90.7% for the fourth quarter. Although the Company issued \$1.5 billion of new guaranteed investment contracts (GICs), it limited new asset acquisitions in order to build excess liquidity in response to volatile market conditions. For the year, PV NIM originated declined 27.1% due primarily to the reduced investment activity in the last quarter.

ANALYSIS OF FINANCIAL RESULTS

MARK-TO-MARKET ACCOUNTING REQUIREMENTS AND THE NATURE OF FSA'S INSURED CREDIT DEFAULT SWAPS. Under U.S. GAAP, insurance policies issued in CDS form typically must be marked to market through the income statement. However, absent any claims under the guaranty, any decreases or increases to income due to marks will sum to zero by the time of each contract's maturity.

FSA primarily insures two types of CDS contracts: (1) those that reference a static pool of underlying corporate credits, subject to a large deductible, and (2) those that reference individual securities, such as Triple-A-rated collateralized loan obligations or Triple-A-rated insured infrastructure financings. In either case, the terms of the insured CDS contract are similar to those of FSA's financial guaranty policy in that claims, if any, are paid over time and no collateral is posted to secure FSA's obligations under the CDS. FSA has generally not participated in the CDO of ABS market and has exposure to only one CDS execution of such a transaction, which was originated in 2005 with a total net par of \$300 million and four times the Triple-A credit protection requirement.

At December 31, 2007, FSA's insured CDS portfolio subject to mark-to-market accounting requirements had a net outstanding par value of \$84.2 billion, representing approximately one-fifth of total insured net par outstanding.

MARK-TO-MARKET ACCOUNTING REQUIREMENTS AND THE NATURE OF THE COMPANY'S FINANCIAL PRODUCTS BUSINESS. The FP Group, whose primary business is the issuance of GICs, raises low-cost funds that are invested primarily in high-quality, liquid asset-backed obligations with the goal of earning an attractive and sustainable net interest margin.

The FP Investment Portfolio is marked to market under U.S. GAAP, with unrealized gains or losses generally classified as accumulated other comprehensive income, part of the Company's equity balance. The Financial Products group has the ability and the intent to hold its assets to their maturities, and therefore, absent a credit event, marks should sum to zero when the asset matures. Given the large size of the FP Investment Portfolio (\$18.1 billion carrying value), even a small price change can have a material impact on aggregate market value.

The FP Portfolio is managed to minimize interest rate and convexity risk by generally matching the asset and liability portfolios on a floating to floating basis, to minimize credit risk through investments in high-quality securities and to limit liquidity risk. As of December 31, 2007, approximately 66.8% of the investment portfolio was invested in non-agency RMBS, 91.9% of which were rated Triple-A, with 7.6% rated Double-A and 0.5% rated Single-A. Although some of these assets may be downgraded in the future, FSA does not expect to have losses, due to the high level of overcollateralization at origination.

GAAP EQUITY. GAAP equity decreased by \$1.1 billion since December 31, 2006, principally due to the negative effects of the unrealized fair value adjustments for insured derivatives, which are recorded in the income statement, combined with unrealized fair-value adjustments on available-for-sale assets held in the Financial Products (FP) Investment Portfolio, which are recorded as a separate component of equity. Unrealized mark-to-market adjustments in the FP investment portfolio totaled negative \$631.0 million after tax in the fourth quarter, primarily resulting from changes in fair value of residential mortgage-backed securities (RMBS), and negative \$964.5 million after tax for the year. Partially offsetting these reductions were contributions from operating earnings. Unrealized portfolio gains and losses and CDS fair-value adjustments have no effect on insurance company statutory equity or claims-paying resources, and rating agencies generally do not take these unrealized gains or losses into account for evaluating FSA's capital adequacy.

NET INCOME. The \$91.9 million net loss in the fourth quarter represents a 199.0% decrease from net income of \$92.8 million for the fourth quarter of 2006, primarily due to the loss of \$188.6 million related to the fair-value adjustments for insured derivatives discussed above. For the same reason, net income decreased to a loss of \$65.7 million for the year. See "Operating Earnings" below for a discussion of the impact of fair-value adjustments for economic hedges.

OPERATING EARNINGS. Operating earnings (a non-GAAP measure) and the adjustments to net income used to calculate it are disclosed above, in the table entitled "Net Income (Loss) and Reconciliation to Non-GAAP Operating Earnings." Operating earnings increased in the fourth quarter due primarily to growth in earned premiums, which, excluding the effect of refundings, rose 16.6%.

The Company defines operating earnings as net income excluding the effects of fair-value adjustments for:

- economic hedges, defined as hedges that are economically effective but do not meet the criteria necessary to receive hedge accounting treatment under Statement of Financial Accounting Standards No. 133, "Accounting for Derivative Instruments and Hedging Activities" (SFAS 133), with any residual hedge ineffectiveness remaining in operating earnings; and

- investment-grade insured derivatives, which are certain contracts for which fair-value adjustments are recorded through the income statement because they qualify as derivatives under SFAS 133 or Statement of Financial Accounting Standards No. 155, “Accounting for Certain Hybrid Financial Instruments” (SFAS 155). These contracts include FSA-insured CDS, insured swaps in certain public finance obligations and insured net interest margin (NIM) securitizations.

The majority of the economic hedges relate to situations where the Company converts the fixed interest rates of certain assets and liabilities to dollar-denominated LIBOR-based floating rates by means of interest rate derivatives. Without hedge accounting, SFAS 133 requires the marking to fair value of each such derivative in the income statement without the offsetting mark to fair value on the risk it is intended to hedge. These one-sided valuations cause income volatility. Under the Company’s definition of operating earnings, the economic effect of these hedges is recognized, which, for interest rate swaps, generally results in any cash paid or received being recognized ratably as an expense or revenue over the hedged item’s life.

PREMIUMS. The following table reconciles gross premiums written, which captures premiums collected and accrued for in the period regardless of when the related business was originated, to PV premiums originated, a non-GAAP measure that management uses to evaluate current financial guaranty business production, which excludes PV NIM originated in the FP segment.

RECONCILIATION OF GROSS PREMIUMS WRITTEN TO PV PREMIUMS ORIGINATED

(in millions)

	<i>Three Months Ended December 31,</i>		<i>Year Ended December 31,</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Gross premiums written.....	\$282.1	\$ 256.5	\$ 852.8	\$ 816.0
Gross installment premiums received.....	(79.5)	(63.0)	(287.9)	(241.9)
Gross upfront premiums originated	202.6	193.5	564.9	574.1
Gross PV estimated installment premiums originated....	112.5	63.4	618.2	215.6
Gross PV premiums originated	<u>\$315.1</u>	<u>\$ 256.9</u>	<u>\$1,183.1</u>	<u>\$ 789.7</u>

The following table summarizes earned and written premiums, net of reinsurance.

NET EARNED AND WRITTEN PREMIUMS

(in millions)

	<i>Three Months Ended December 31,</i>		<i>Year Ended December 31,</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Net premiums written	\$187.7	\$161.8	\$560.5	\$ 527.2
Net premiums earned.....	116.1	104.0	420.6	388.7
Net premiums earned excluding effect of refundings and accelerations	99.1	85.0	367.4	339.9

For the fourth quarter, gross premiums written increased 10.0%, and net premiums written increased 16.0%, both reflecting increases in public finance and asset-backed premiums written. For the year, gross premiums written increased by 4.5%, and net premiums written increased by 6.3%. In each case, the change primarily reflected an increase in asset-backed premiums written.

Fourth-quarter net premiums earned increased 11.6% to \$116.1 million, including \$17.0 million from refundings and accelerations. For last year's comparable period, net premiums earned from refundings and accelerations totaled \$19.0 million. Excluding premiums from refundings and accelerations, fourth-quarter net premiums earned increased 16.6%, reflecting an increase in both public finance and asset-backed earned premiums.

For the year, net premiums earned increased 8.2% to \$420.6 million, including \$53.2 million from refundings and accelerations. For the prior year, net premiums earned from refundings and accelerations totaled \$48.8 million. Excluding premiums from refundings and accelerations, year-to-date net premiums earned increased 8.1% for the year, reflecting increases in both public finance and asset-backed earned premiums.

FP SEGMENT NET INTEREST MARGIN. FP Segment NIM increased to \$18.0 million for the fourth quarter of 2007 from \$17.4 million for the fourth quarter of 2006, reflecting primarily the growth in the GIC book of business, partially offset by the effects of accumulating liquidity. FP Segment NIM was \$86.1 million for 2007 and \$72.7 million for 2006. Growth in the book of business and realized gains more than offset the write-down (in the third quarter of 2007) of positions the Company determined to be other-than-temporarily impaired. FP Segment NIM is a non-GAAP measure defined as the net interest margin from the financial products segment excluding fair-value adjustments for economic hedges.

GENERAL INVESTMENT PORTFOLIO. Fourth-quarter net investment income increased to \$60.4 million from \$57.1 million a year ago. For the year, net investment income increased to \$236.7 million from \$218.9 million in 2006. The increases primarily reflect higher invested balances in the investment portfolio resulting from high origination activity. The Company's year-to-date effective tax rate on investment income (excluding the effects of realized gains and losses, the FP Segment and assets acquired in refinancing transactions) was 12.4% in 2007, versus 12.2% for 2006.

EXPENSES.

EXPENSES AND POLICY ACQUISITION COSTS

(in millions)

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
Other operating expenses and amortization of deferred policy acquisition costs [1]	\$55.4	\$ 63.8	\$ 205.5	\$ 187.6
Other operating expenses and amortization of deferred policy acquisition costs, excluding deferred compensation plans (DCP) and supplemental executive retirement (SERP) plans	56.9	53.4	199.5	173.2

[1] These expenses include certain compensation expenses related primarily to the Company's DCP and SERP plans, which are based on changes in the market value of related investments and are offset by amounts in other income arising from marking to fair value the assets held to economically defease such obligations.

Excluding DCP and SERP plans, other operating expenses and amortization of policy acquisition costs increased by \$3.5 million, or 6.6%, for the fourth quarter of 2007. For the year, such expenses increased by \$26.3 million, or 15.2%. The increases relate primarily to higher compensation expenses and a lower deferral rate.

RESERVES. The Company recorded losses and loss adjustment expenses incurred of \$12.5 million for the fourth quarter of 2007 and \$7.0 million for the fourth quarter of 2006. Losses and loss adjustment expenses totaled \$31.6 million for 2007 and \$23.3 million for 2006. The increases are driven primarily by increased origination volume, including a large increase in international public infrastructure transactions (which are generally assigned higher reserves) and an increase in the experience factor used in calculating the non-specific reserve. Adjustments to reserves represent management's estimate of the amount required to cover the present value of the net cost of claims, based on statistical provisions for new originations.

During the fourth quarter of 2007, a net amount of \$65.5 million was transferred from the non-specific reserve to case reserves, including the \$63.0 million for HELOCs discussed above. Transfers between non-specific and case reserves represent a reallocation of existing loss reserves and have no impact on earnings. At December 31, 2007, aggregate case and non-specific reserves, net of reinsurance recoverables, totaled \$198.1 million, compared with \$190.8 million at December 31, 2006.

NON-GAAP MEASURES

To reflect accurately how the Company's management evaluates the Company's operations and progress toward long-term goals, this release contains both measures promulgated in accordance with accounting principles generally accepted in the United States of America (GAAP measures) and measures not so promulgated (non-GAAP measures). Although the measures identified as non-GAAP in this release should not be considered substitutes for GAAP measures, management considers them key performance indicators and employs them in determining compensation. Non-GAAP measures therefore provide investors with important information about the way management analyzes its business and rewards performance.

Non-GAAP measures used in this release include operating earnings, PV premiums originated, PV NIM originated, PV originations, ABV and FP segment NIM. In the tables above, operating earnings is reconciled to net income, and PV premiums originated is reconciled to gross premiums written.

The Company employs PV originations to describe the present value of all the Company's originations in a given period. PV originations are estimated by the Company for business originated in the period as the sum of:

- PV premiums originated, defined as estimated future installment premiums discounted to their present value, as well as upfront premiums, and
- PV NIM originated in the financial products segment, defined as estimated interest to be received on investments less estimated transaction expenses and interest to be paid on liabilities plus results from derivatives used for hedging purposes, discounted to present value.

Management believes that, by disclosing the components of PV originations in addition to premiums written, the Company provides investors with a more comprehensive description of its new business activity in a given period. The discount rate used to calculate PV originations was 4.86% for 2007 originations and 5.07% for 2006 originations. PV premiums originated, PV NIM originated and PV originations are based on estimates of, among other things, prepayment speeds of asset-backed securities.

PV premiums originated is a measure of gross origination activity and does not reflect premiums ceded to reinsurers or the cost of credit default swaps or other credit protection, which may be considerable, employed by the Company to manage its credit exposures.

PV NIM originated is the present value of estimated future net interest margin generated by new business in the financial products segment during a given period, adjusted for management's estimate of transaction and hedging costs. At the beginning of 2007, based on experience, management reduced its estimate of the adverse effect of such costs, and appropriate adjustments were included in the estimates of 2007 PV NIM originated and the PV future net interest margin (PV future NIM) component of ABV.

Management uses ABV as a measure of performance and to calculate a portion of employee compensation. An investor attempting to evaluate the Company using GAAP measures alone would not have the benefit of this information. The ABV calculation relies on estimates of the amount and timing of installment premiums and net interest margin and applies discount factors to determine the present value. Actual values may vary from the estimates. For performance reporting purposes, the calculation of ABV includes adjustments to reflect IFRS results that the Company reports to its principal shareholder, Dexia S.A., in order to better align the interests of employees with the interests of Dexia S.A., whose accounts are maintained under IFRS. The IFRS adjustments relate primarily to accounting for foreign exchange, contingencies and fair-value adjustments. ABV is reconciled to book value in the table that follows.

**RECONCILIATION OF US GAAP SHAREHOLDERS' EQUITY TO
ADJUSTED BOOK VALUE**

(in millions)

	<i>December 31, 2007</i>	<i>December 31, 2006</i>
Shareholders' Equity (Book Value) – U.S. GAAP	\$ 1,577.8	\$ 2,722.3
After-tax adjustments:		
Plus net unearned premium revenues	1,162.4	1,071.4
Plus PV future net installment premiums and financial products PV future net interest margin [1][2]	857.8	627.2
Less net deferred acquisition costs	226.1	221.4
Less fair-value gains (losses) for investment-grade insured derivatives	(359.7)	58.0
Less fair value of gains (losses) for economic hedges	84.9	72.6
Less unrealized gains (losses) on investments	(848.4)	154.9
Subtotal	4,495.1	3,914.0
IFRS Adjustments	0.2	4.8
Adjusted Book Value	\$ 4,495.3	\$ 3,918.8

- [1] Amounts include the effects of PV future ceding commission and premium taxes. The discount rate varies according to the year of origination. For each year's originations, the Company calculates the discount rate as the average pre-tax yield on its investment portfolio for the previous three years. The rate was 4.86% for 2007 and 5.07% for 2006.
- [2] At the beginning of 2007, based on experience, management applied a reduced estimate of transaction and hedging costs to financial products PV future NIM. This increased December 31, 2007 PV future NIM by approximately \$24.7 million net of tax.

This release also contains certain other non-GAAP measures that are based on statutory accounting principles applicable to insurance companies. Management uses such measures because the measures are required by regulators or used by rating agencies to assess the capital adequacy of the Company. The following table presents statutory-basis information for FSA.

**CLAIMS-PAYING RESOURCES (STATUTORY BASIS)
FINANCIAL SECURITY ASSURANCE INC. AND SUBSIDIARIES**

(dollars in thousands)

	<i>December 31, 2007</i>	<i>December 31, 2006</i>
Contingency Reserve	\$ 1,094,352	\$ 1,011,034
Surplus to Policyholders	1,608,768	1,543,113
Qualified Statutory Capital	2,703,120	2,554,147
Net Unearned Premium Reserve	2,274,577	2,070,751
Loss and Loss Adjustment Expense Reserve	98,079	52,964
Qualified Statutory Capital and Reserves	5,075,776	4,677,862
Net Present Value of Installment Premiums	1,113,051	827,916
Third-Party Capital Support [1]	550,000	550,000
Total Claims-Paying Resources [2]	<u>\$ 6,738,827</u>	<u>\$ 6,055,778</u>
Net Insurance in Force (principal & interest)	\$623,157,997	\$552,695,033
Capital Ratio [3]	231:1	216:1
Claims-Paying Ratio [4]	92:1	91:1

[1] Standby line of credit facility and money market committed preferred trust securities.

[2] Total claims-paying resources is a term used by rating agencies to quantify total resources available to pay claims in their stress-case scenarios. Rating agencies may apply further adjustments to some or all of the figures in order to reflect their views of realization.

[3] Capital ratio is net insurance in force divided by qualified statutory capital.

[4] Claims-paying ratio is net insurance in force divided by claims-paying resources.

ADDITIONAL INFORMATION

The Company plans to post its latest Operating Supplement to its website, www.fsa.com, today. The Operating Supplement contains additional information about results for the period covered in this release. Also, a presentation dated February 12, 2007 on the Analyst Communications/Presentations page of the website provides additional detail about the Company's portfolio quality and mark-to-market accounting.

FORWARD-LOOKING STATEMENTS

The Company relies on the safe harbor for forward-looking statements provided by the Private Securities Litigation Reform Act of 1995. This safe harbor requires that the Company specify important factors that could cause actual results to differ materially from those contained in forward-looking statements made by or on behalf of the Company. Accordingly, forward-looking statements by the Company and its affiliates are qualified by reference to the following cautionary statements.

In its filings with the SEC, reports to shareholders, press releases and other written and oral communications, the Company from time to time makes forward-looking statements. Such forward-looking statements include, but are not limited to:

- projections of revenues, income (or loss), earnings (or loss) per share, dividends, market share or other financial forecasts;
- statements of plans, objectives or goals of the Company or its management, including those related to growth in adjusted book value or return on equity; and
- expected losses on, and adequacy of loss reserves for, insured transactions.

Words such as "believes," "anticipates," "expects," "intends" and "plans" and similar expressions are intended to identify forward-looking statements but are not the exclusive means of identifying such statements.

The Company cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in forward-looking statements made by the Company. These factors include:

- changes in capital requirements or other criteria of securities rating agencies applicable to FSA;
- competitive forces, including the conduct of other financial guaranty insurers;
- changes in domestic or foreign laws or regulations applicable to the Company, its competitors or its clients;
- changes in accounting principles or practices that may result in a decline in securitization transactions or affect the Company's reported financial results;
- an economic downturn or other economic conditions (such as a rising interest rate environment) adversely affecting transactions insured by FSA or its investment portfolio;
- inadequacy of reserves established by the Company for losses and loss adjustment expenses;
- disruptions in cash flow on FSA-insured structured transactions attributable to legal challenges to such structures;
- downgrade or default of one or more of FSA's reinsurers;
- market conditions, including the credit quality and market pricing of securities issued;
- capacity limitations that may impair investor appetite for FSA-insured obligations;
- market spreads and pricing on insured CDS exposures, which may result in gain or loss due to mark-to-market accounting requirements;
- prepayment speeds on FSA-insured asset-backed securities and other factors that may influence the amount of installment premiums paid to FSA; and
- other factors, most of which are beyond the Company's control.

The Company cautions that the foregoing list of important factors is not exhaustive. In any event, such forward-looking statements made by the Company speak only as of the date on which they are made, and the Company does not undertake any obligation to update or revise such statements as a result of new information, future events or otherwise.

THE COMPANY

Financial Security Assurance Holdings Ltd. (the Company), headquartered in New York City, is a holding company whose affiliates provide financial guarantees and financial products to clients in both the public and private sectors around the world. The principal operating subsidiary, Financial Security Assurance Inc. (FSA), a leading guarantor of public finance and asset-backed obligations, has been assigned Triple-A ratings, the highest ratings available, from Fitch Ratings, Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Rating and Investment Information, Inc. Through other subsidiaries, the Company provides FSA-insured financial products, such as guaranteed investment contracts, to obtain funds at Triple-A cost and then invests those funds in high-quality, liquid securities. The Company is a member of the Dexia group.

Contact: Betsy Castenir, Press Relations, (212) 339-3424
 Tom Vogel, Press Relations, (212) 339-0862
 Robert Tucker, Investor Relations, (212) 339-0861