

# Quarterly Operating Supplement

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*December 31, 1999*

FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.



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## QUARTERLY OPERATING SUPPLEMENT

4th Quarter 1999

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## Financial Security Assurance Holdings Ltd. Highlights

Financial Key Lines	<i>4th Qtr 1999</i>	<i>Year to Date 1999</i>	<i>Full Year 1998*</i>
Net Income (Millions)	\$ 40.1	\$ 125.4	\$ 115.4
Stockholders' Equity (Millions)	\$1,252.0	\$1,252.0	\$1,065.4
Return on Average Equity	14.0%	11.4%	12.4%
Policyholders' Leverage Ratio <sup>(1)</sup>	148:1	148:1	154:1
Loss Ratio <sup>(1)</sup>	6.0%	5.0%	2.9%
Expense Ratio <sup>(1)</sup>	37.1%	41.7%	46.4%
Combined Ratio <sup>(1)</sup>	43.1%	46.7%	49.3%
Effective Tax Rates:			
Net Investment Income	16.0%	15.3%	17.6%
Underwriting and Other Income (Loss)	33.3%	34.8%	35.7%
Total Income	25.0%	23.5%	26.6%

Stockholder Data	<i>4th Qtr 1999</i>	<i>Year to Date 1999</i>	<i>Full Year 1998*</i>
Net Income Per Share <sup>(2)</sup>	\$ 1.22	\$ 3.89	\$ 3.77
Components of Adjusted Book Value Per Share:			
Book Value Per Share <sup>(3)</sup>	\$ 38.27	\$ 38.27	\$ 35.63
After-tax value of:			
Net deferred premium revenue, net of DAC	6.99	6.99	6.49
Present value of installment premiums	7.02	7.02	5.07
Gain on forward shares	<u>0.29</u>	<u>0.29</u>	<u>0.43</u>
Adjusted Book Value Per Share <sup>(3)(4)</sup>	\$ 52.57	\$ 52.57	\$ 47.62
Common Shares Outstanding (Thousands):			
Actual	32,715	32,715	29,903
Weighted Average	30,862	30,322	28,854
Weighted Average Diluted	32,799	32,250	30,599
Dividends Paid Per Share	\$0.1200	\$0.4650	\$0.4400

Analytical Indices <sup>(2)</sup>	<i>4th Qtr 1999</i>	<i>Year to Date 1999</i>	<i>Full Year 1998*</i>
Net Income Analysis (Per Common Share):			
Core Net Income	\$ 1.21	\$ 4.34	\$ 3.51
Refundings, Calls and Other Accelerations	<u>0.07</u>	<u>0.21</u>	<u>0.25</u>
Operating Net Income	1.28	4.55	3.76
Realized Capital Gains (Losses)	0.04	(0.30)	0.44
Equity Based Compensation	(0.09)	(0.34)	(0.42)
Other	<u>(0.01)</u>	<u>(0.02)</u>	<u>(0.01)</u>
Net Income	\$ 1.22	\$ 3.89	\$ 3.77

(1) Relates solely to Financial Security Assurance Inc. (FSA). Policyholders' leverage ratio is calculated on a statutory basis, while loss, expense and combined ratios are on a GAAP basis.

(2) Represents diluted earnings per share.

(3) Includes the effect of unrealized (losses) gains in the investment portfolio, which was \$(1.46) and \$1.26 for 1999 and 1998, respectively.

(4) Reflects book value plus the after-tax present value of all deferred premium income and the change in value of forward shares, less deferred expenses.

\*1998 results have been restated to show effect of accounting change for forward share purchase agreements.

## **FSA HOLDINGS' ADJUSTED BOOK VALUE PER SHARE REACHES \$52.57**

\* \* \*

### **OPERATING EPS RISES 21.0% TO \$4.55 IN 1999**

\* \* \*

### **FSA WRITES \$517 MILLION OF PV PREMIUMS FOR YEAR**

New York, New York, January 26, 2000 -- Financial Security Assurance Holdings Ltd. (NYSE:FSA), the holding company for bond insurer Financial Security Assurance Inc. (FSA), announced that its adjusted book value (ABV) reached \$52.57 per share as of December 31, 1999.

#### **KEY RESULTS: FULL YEAR 1999**

- Adjusted book value per share, with dividends reinvested, grew 17.5% from insurance operations alone over the past 12 months and 11.4% including realized and unrealized capital gains and losses in the investment portfolio. (Adjusted book value is book value plus the after-tax present value of all deferred premium income, less deferred expenses.)
- FSA produced \$517.2 million of present value (PV) premiums during the year, an increase of 32.2% over the previous record of \$391.2 million produced in 1998.
- Core earnings were \$4.34 per share, an increase of 23.6%.
- Operating net income reached \$4.55 per share, up 21.0%.
- Net income was \$3.89 per share. For comparative purposes, net income for 1998 has been restated from \$3.82 to \$3.77 because of a previously disclosed revision to the accounting for forward share purchase agreements.

#### **KEY RESULTS: FOURTH QUARTER 1999**

- FSA produced \$127.3 million of present value (PV) premiums during the quarter, compared with \$143.3 million in the same period of the prior year, a decrease of 11.2%.
- Core earnings were \$1.21 per share, an increase of 28.7%.
- Operating net income reached \$1.28 per share, up 23.1%.
- Net income was \$1.22 per share, compared with the restated result of \$0.96 for fourth quarter 1998.
- As previously disclosed, FSA raised capital for future growth by selling \$140 million of common shares in private transactions.

"Our strategy of balanced diversification and disciplined underwriting paid dividends this year," said Robert P. Cochran, chairman and chief executive officer. "Despite a 20%-plus decline in municipal bond market volume, we achieved great results. We picked up the slack in the asset-backed and international markets, where we found a growing number of opportunities with very attractive credit quality and return characteristics."

"Although fourth quarter production didn't reach the record levels of the fourth quarter of 1998," he continued, "there was more activity than we expected given the widespread Y2K concerns. All in all, it was a very satisfactory ending to a truly outstanding year."

#### **NEW BUSINESS PRODUCTION**

In the fourth quarter, FSA insured securities totaling \$15.1 billion in par. This brought full-year par insured to \$59.8 billion, up 1.9%.

FSA insured \$6.0 billion par of U.S. municipal obligations with closing dates in the fourth quarter, compared with \$9.9 billion in the prior year's comparable period, a decrease of 39.0%. With respect to U.S. primary transactions only, FSA's fourth quarter municipal par insured was \$5.7 billion, down 40.5% from the comparable period in 1998. Total U.S. municipal PV premiums were \$52.0 million for the quarter, compared with \$72.2 million a year earlier, a decrease of 28.0%.

During the year, issuance of new U.S. municipal bonds was down approximately 21% compared with 1998 volume. For the year, FSA insured \$26.3 billion par of U.S. municipal obligations, 23.8% less than in the previous year. U.S. municipal PV premiums reached \$183.0 million, a decrease of 16.9%. On a sale-date basis, FSA insured approximately 23% of the insured U.S. municipal bonds issued during the year. "Despite the significant decline in municipal market volume, we were very pleased with our results, which reflected the improved pricing environment and our own credit and pricing discipline," said Mr. Cochran.

FSA's fourth quarter U.S. asset-backed par originated decreased to \$6.0 billion from \$8.4 billion, or 28.9%, while the PV premiums generated by U.S. asset-backed business were \$43.6 million, compared with \$69.6 million, a decrease of 37.4%. For the year, U.S. asset-backed par volume increased 14.7% to \$24.8 billion and PV premiums grew 35.7% to \$200.4 million. "Driving the year's strong asset-backed results was the significant expansion of the collateralized debt obligation (CDO) market, where FSA has established a leadership position. We also continued to benefit from our strong relationships with repeat issuers in the consumer sector and from healthy demand for insured executions," said Mr. Cochran.

In the international sector, FSA insured \$3.1 billion of par to generate \$31.7 million of PV premiums in the fourth quarter. During 1999, FSA insured \$8.7 billion of international transactions to generate \$133.8 million of PV premiums. "This was a breakthrough year for FSA's international business," said Mr. Cochran. "In Europe, we expanded our participation in the United Kingdom's Private Finance Initiative (PFI) sector. We believe the PFI sector will grow and that similar programs will emerge in other European countries in the years ahead. We also guaranteed several large structured finance transactions and were active in the synthetic CDO sector, helping several European banks to manage risk, optimize capital utilization and improve returns in their loan portfolios. In Japan, despite modest volume, we completed a number of transactions in the consumer receivables and CDO markets and prepared for greater participation as the market matures."

"Overall, we accomplished all of our financial and strategic objectives through the business we originated in 1999," added Mr. Cochran. "Credit quality was high – average shadow ratings were 85% Single-A or better. Average transaction-level returns on equity substantially exceeded our target returns. And with PV premiums over \$500 million, we've laid the foundation for solid revenue growth and continued leverage of our expense base."

## ANALYSIS OF FINANCIAL RESULTS

**CORE NET INCOME.** Core net income excludes factors that may cause fluctuations in net income that do not reflect the performance of core operations. These factors are principally capital gains and losses, the effects of refundings and prepayments, the cost of FSA's equity-based compensation programs and other non-operating items.

Fourth quarter core net income increased 36.5% to \$39.8 million. This reflected a \$14.0 million increase in total core revenues while total core operating expenses plus interest expense, minority interest and losses and loss adjustment expenses increased only \$0.8 million. On a per-share basis, fourth quarter core net income rose 28.7% to \$1.21 per share.

For the year, core net income increased 30.3% to \$140.0 million. On a per-share basis, full-year core net income rose 23.6% to \$4.34 per share.

**OPERATING NET INCOME.** Operating net income (which excludes capital gains or losses, the cost of the equity-based compensation programs, and other non-operating items) grew 29.7% to \$41.9 million for the quarter. On a per-share basis, operating net income grew 23.1% to \$1.28 for the quarter. The contribution from refundings was \$2.1 million, or \$0.07 per share, compared with the contribution of \$3.2 million, or \$0.10 per share, in the fourth quarter of 1998. Refundings for the fourth quarter were primarily from municipal transactions.

For the year, operating net income was \$146.7 million, or \$4.55 per share, compared with \$114.9 million, or \$3.76 per share, for 1998, an increase of 21.0% on a per-share basis. The contribution from refundings was \$6.6 million, or \$0.21 per share, compared with the contribution of \$7.4 million, or \$0.25 per share, in the prior year.

**REPORTED NET INCOME.** Results for comparable periods in 1998 have been restated to reflect the revised accounting described under "Accounting for Forward Share Purchase Agreements" in the Company's second-quarter earnings release dated July 21, 1999. Fourth quarter net income was \$40.1 million, or \$1.22 per share, compared with \$29.7 million, or \$0.96 per share, for the same period in the prior year. After-tax capital gains were \$1.3 million, or \$0.04 per share, compared with after-tax capital gains of \$3.5 million, or \$0.11 per share, for the fourth quarter of 1998. Capital gains and losses occur in FSA's investment portfolio as a by-product of managing the portfolio for long-term total return. The after-tax cost of the Company's equity-based compensation programs was \$3.0 million, or \$0.09 per share, compared with an after-tax cost of \$5.9 million, or \$0.18 per share, for the same period of last year.

Full-year net income was \$125.4 million, or \$3.89 per share, compared with \$115.4 million, or \$3.77 per share, for the prior year. After-tax capital losses were \$9.7 million, or \$0.30 per share, compared with after-tax capital gains of \$13.6 million, or \$0.44 per share, for 1998. The after-tax cost of the Company's equity-based compensation programs was \$11.1 million, or \$0.34 per share, compared with \$12.9 million, or \$0.42 per share, for the prior year.

**GROSS PREMIUMS WRITTEN.** Gross premiums written for the fourth quarter were \$100.5 million, 1.8% higher than FSA's result in the same period of 1998. For the year, gross premiums written were \$362.7 million, an increase of 13.6%.

**EARNED PREMIUMS.** Core net premiums earned for the fourth quarter were \$43.8 million, 27.7% higher than FSA's result in the same period of 1998. Total fourth quarter net premiums earned, including refundings, equaled \$48.2 million, a 17.7% increase. This result includes \$4.4 million of refundings and prepayments, compared with \$6.6 million earned in the same period of last year.

Core net premiums earned for the year were \$161.1 million, up 31.9%. Total twelve-month net premiums earned, including refundings, rose 26.8% to \$175.0 million.

**INVESTMENT PORTFOLIO.** Net investment income for the fourth quarter was \$25.5 million, an increase of 20.6%, due to higher invested balances. Capital gains were \$2.4 million in the fourth quarter, compared with capital gains of \$5.3 million in the fourth quarter of 1998. The Company's effective tax rate on investment income (excluding the effects of capital gains and losses) was 16.0% for the fourth quarter, compared with 17.2% for the same period a year earlier.

**CHANGE IN INVESTMENT STRATEGY.** During the fourth quarter, management and the Investment Committee of the Board of Directors undertook a thorough review of the Company's investment portfolio strategy. The conclusion reached was that, while the economic results achieved slightly exceeded the performance indices that had been established, the Company's total return strategy had not optimized after-tax value for shareholders. Consequently, going forward, the Company and its investment advisors will pursue a modified total-return strategy aimed at producing consistent growth in after-tax investment income, with due consideration for structural considerations such as call protection and duration. There will be no change in the credit quality of the portfolio, which remains approximately Aa/AA-rated on average. The Company also decided to redeploy its non-strategic equity portfolio of approximately \$85 million into fixed income investments.

**EXPENSES AND RESERVES.** Core policy acquisition and other operating expenses (total core operating expenses) for the fourth quarter were \$9.7 million, down from \$11.5 million in the comparable quarter of the prior year. Total core operating expenses decreased due to lower amortization of deferred acquisition costs (DAC) as a result of higher premium writings and lower employee benefit expenses. Total operating expenses including the effects of refundings declined to \$10.7 million, or \$2.5 million lower than in the prior year's fourth quarter. The fourth quarter core operating expense ratio (core operating expenses divided by core earned premiums) decreased to 22.0% from 33.4% in fourth quarter 1998.

Losses and loss adjustment expenses were \$2.9 million and \$8.8 million in the fourth quarter and full year, respectively, and \$0.8 million and \$4.0 million in last year's comparable periods, reflecting additions to the general reserve in all periods. At December 31, 1999, FSA's unallocated general reserve totaled \$55.0 million.

This press release contains forward-looking statements regarding, among other things, the Company's plans and prospects. Important factors, including general market conditions and the competitive environment, could cause actual results to differ materially from those described in such forward-looking statements. Certain of these factors are described in more detail under the heading "Forward-Looking Statements" in Item 1 of the Company's Annual Report on Form 10-K/A as amended for the year ended December 31, 1998. Forward-looking statements in this release are expressly qualified by all such factors. The Company undertakes no obligation to revise or update any forward-looking statements to reflect changes in events or expectations or otherwise.

Financial Security Assurance Holdings Ltd. (the Company), through its wholly owned subsidiary, FSA, guarantees scheduled payments of principal and interest of municipal bonds and asset-backed securities, including residential mortgage-backed securities. FSA's claims-paying ability is rated Triple-A by Fitch IBCA, Inc., Moody's Investors Service, Inc., Standard & Poor's Ratings Services, and Japan Rating and Investment Information, Inc. Headquartered in New York, FSA has additional offices in San Francisco and Dallas. It also has a London-based U.K. subsidiary, Financial Security Assurance (U.K.) Limited; a Bermuda-based subsidiary, Financial Security Assurance International Ltd.; and representative offices in Madrid, Paris, Singapore, Sydney and Tokyo. Information about the Company is available on the World Wide Web at [www.fsa.com](http://www.fsa.com).

## Municipal New-Issue Market Data <sup>(1)</sup>

(dollars in billions)

	<i>Par Value</i>		<i>Percent Insured</i>	<i>FSA Market Share</i> <sup>(2)</sup>	
	<i>Issued</i>	<i>Insured</i>		<i>Amount</i>	<i>Percent</i>
4th Qtr. 1999	\$51.7	\$23.6	45.6%	\$4.5	19.1%
3rd	55.5	25.9	46.7%	7.6	29.3%
2nd	59.3	25.0	42.2%	6.3	25.2%
1st	59.4	29.4	49.5%	5.8	19.7%
4th Qtr. 1998	69.8	34.8	49.9%	8.7	25.0%
3rd	65.8	36.6	55.6%	7.0	19.1%
2nd	78.6	38.9	49.5%	9.4	24.2%
1st	71.7	35.0	48.8%	6.9	19.7%
1999	225.9	103.9	46.0%	24.2	23.3%
1998	285.9	145.3	50.8%	32.0	22.0%
1997	220.7	107.5	48.7%	16.2	15.1%
1996	185.0	85.7	46.6%	11.2	13.1%
1995	160.3	68.5	42.7%	3.3	4.8%
1994	164.6	61.4	37.3%	2.7	4.4%
1993	291.9	108.0	37.0%	7.5	6.9%
1992	234.6	80.8	34.4%	4.8	5.9%
1991	172.4	51.9	30.1%	2.8	5.4%

(1) FSA estimates based on industry sources, including The Bond Buyer and Securities Data Company. Industry data subject to revision as additional information becomes available.

(2) Share of insured bond market. FSA volume for 1993 through 1999 is based on sales dates, not closing dates, and will not reconcile with other data in this Supplement. Excludes secondary-market and non-U.S. transactions.

## Gross Par Value and Premiums Written by FSA

(dollars in millions)

	<i>4th Quarter</i>		<i>Year-to-Date</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
<b>Municipal New Issue</b>				
Gross Par Value Insured	5,692	9,610	25,201	33,308
Gross Premiums Written				
Up-Front	47.8	67.8	163.8	189.6
Installments <sup>(1)</sup>	2.7	2.7	9.3	17.9
Total Gross Premiums	50.5	70.5	173.1	207.5
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>48.8</b>	<b>69.8</b>	<b>174.5</b>	<b>213.7</b>
<b>Municipal Secondary</b>				
Gross Par Value Insured	402	369	1,226	1,842
Gross Premiums Written				
Up-Front	3.4	2.7	9.7	14.5
Installments <sup>(1)</sup>	0.2	0.2	0.7	0.9
Total Gross Premiums	3.6	2.9	10.4	15.4
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>3.4</b>	<b>2.8</b>	<b>9.7</b>	<b>14.8</b>
<b>Asset-Backed</b>				
Gross Par Value Insured	9,033	9,033	33,355	23,490
Gross Premiums Written				
Up-Front	9.2	0.9	29.9	8.3
Installments <sup>(1)</sup>	37.2	24.4	149.3	88.1
Total Gross Premiums	46.4	25.3	179.2	96.4
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>75.1</b>	<b>70.7</b>	<b>333.0</b>	<b>162.7</b>
<b>Total Insurance Written</b>				
Gross Par Value Insured	15,127	19,012	59,782	58,640
Gross Premiums Written				
Up-Front	60.4	71.4	203.4	212.4
Installments <sup>(1)</sup>	40.1	27.3	159.3	106.8
Total Gross Premiums	100.5	98.7	362.7	319.2
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>127.3</b>	<b>143.3</b>	<b>517.2</b>	<b>391.2</b>

(1) Installments are the periodic premium payments received by FSA for business written in current and prior years.

(2) The Company evaluates its business production for a given period by its gross present value (PV) of premiums written. Gross PV premiums written for a particular period includes both (i) the amount of premiums received in such period under all insurance policies in which premiums are payable up front and (ii) the amount of all future premiums estimated to be payable under the Company's installment-based policies issued during such period, discounted to present value. The discount rate for business written in 1999 is 5.93% per annum and in 1998 is 6.31% per annum, equal to the average pre-tax yield on the Company's investment portfolio for the previous three calendar years. Management uses its best estimate of the life of each insurance policy for which premiums are payable in installments when calculating gross PV premiums written. However, the actual period over which installment-based premiums are paid and the total amount paid will vary from management's estimate if the insured obligation remains outstanding for a period that is different from that estimated by management. If the life of an insured obligation is shorter than that estimated, the related gross PV premiums outstanding will be reduced. Conversely, if the life of an insured obligation is longer than that estimated, the related gross PV premiums outstanding will be increased.

## Insured Portfolio Profile

### Par Value

(dollars in millions)

	Insured in 1999				Outstanding as of December 31, 1999	
	Gross Amount	%	Net Amount	%	Net Amount	%
<b>Municipal Obligations</b>						
<b>Domestic</b>						
General obligation bonds	\$ 9,978	37.8	\$ 7,955	46.1	\$30,742	38.8
Tax-supported bonds	5,022	19.0	3,242	18.8	17,646	22.3
Municipal utility revenue bonds	4,558	17.2	2,446	14.2	11,293	14.3
Health care revenue bonds	2,211	8.4	697	4.0	5,950	7.5
Housing revenue bonds	803	3.0	746	4.3	2,620	3.3
Transportation revenue bonds	1,485	5.6	697	4.0	3,367	4.2
Other municipal bonds		8.5	1,442	8.4	6,199	7.8
Subtotal	26,308	99.5	17,225	99.8	77,817	98.2
<b>International</b>	119	0.5	32	0.2	1,406	1.8
<b>Total municipal obligations</b>	<b>\$26,427</b>	<b>100.0</b>	<b>\$17,257</b>	<b>100.0</b>	<b>\$79,223</b>	<b>100.0</b>
<b>Geographic Distribution</b>						
California	\$ 2,444	9.3	\$ 1,743	10.1	\$11,543	14.6
New York	2,309	8.7	1,431	8.3	7,006	8.8
Pennsylvania	1,760	6.7	1,258	7.3	5,509	7.0
Texas	2,306	8.7	1,387	8.0	5,095	6.4
Florida	1,244	4.7	786	4.5	4,696	5.9
New Jersey	2,220	8.4	1,183	6.9	4,444	5.6
Illinois	1,885	7.1	1,172	6.8	4,103	5.2
Massachusetts	950	3.6	589	3.4	2,568	3.2
Michigan	513	1.9	467	2.7	2,543	3.2
Wisconsin	629	2.4	590	3.4	2,184	2.8
Washington	738	2.8	529	3.1	1,736	2.2
All Other U.S. Jurisdictions	9,310	35.2	6,090	35.3	26,390	33.3
International	119	0.5	32	0.2	1,406	1.8
<b>Total</b>	<b>\$26,427</b>	<b>100.0</b>	<b>\$17,257</b>	<b>100.0</b>	<b>\$79,223</b>	<b>100.0</b>

<b>Asset-Backed Obligations</b>						
<b>Domestic</b>						
Residential mortgages	\$ 7,247	21.7	\$ 6,196	24.1	\$ 16,663	32.8
Consumer receivables	9,820	29.4	8,659	33.7	14,954	29.5
Government securities	121	0.4	113	0.5	642	1.3
Pooled corporate obligations	7,589	22.8	6,128	23.8	10,991	21.7
Investor-owned utility obligations	-	0.0	-	0.0	548	1.1
Other asset-backed obligations	-	0.0	-	0.0	155	0.3
Subtotal	24,777	74.3	21,096	82.1	43,953	86.7
<b>International</b>	8,578	25.7	4,610	17.9	6,762	13.3
<b>Total asset-backed obligations</b>	<b>\$33,355</b>	<b>100.0</b>	<b>\$25,706</b>	<b>100.0</b>	<b>\$50,715</b>	<b>100.0</b>

<b>Distribution of Insured Portfolio by Rating as of December 31, 1999</b>	<b>Rating<sup>(1)</sup></b>	<b>Percent of Portfolio</b>
	AAA	5.6
	AA	16.6
	A	48.0
	BBB	29.0
	Other	0.8
		100.0

(1) Based upon internal FSA ratings.

## Asset-Backed Debt Service and Premiums

(dollars in millions)

<b>Debt Service (Principal and Interest)</b>					
	<i>Insured Debt Service</i>			<i>Portfolio Run Off<sup>(1)</sup></i>	<i>Ending Net Outstanding</i>
	<i>Gross</i>	<i>Ceded</i>	<i>Net</i>		
4th Qtr. 1999	\$10,130	\$3,119	\$7,011	\$(4,124)	\$64,886
3rd	9,642	1,790	7,852	(3,797)	61,999
2nd	13,312	2,635	10,677	(3,225)	57,944
1st	8,610	1,360	7,250	(4,428)	50,492
4th Qtr. 1998	11,213	1,399	9,814	(4,225)	47,670
3rd	5,913	1,261	4,652	(3,082)	42,081
2nd	7,614	685	6,929	(3,176)	40,511
1st	3,518	239	3,279	(2,625)	36,758
1999	41,694	8,904	32,790	(15,574)	64,886
1998	28,258	3,584	24,674	(13,108)	47,670
1997	23,685	5,557	18,128	(12,120)	36,104
1996	21,659	5,501	16,158	(8,864)	30,096
1995	12,504	1,717	10,787	(5,284)	22,802

<b>Premiums (GAAP Basis)</b>						
	<i>Written Premium</i>			<i>Ending Net Unearned Premium</i>	<i>Ending Net PV Premium</i>	<i>Total</i>
	<i>Gross</i>	<i>Ceded</i>	<i>Net</i>			
4th Qtr. 1999	\$46.4	\$12.5	\$33.9	\$93.4	\$301.7	\$395.1
3rd	56.7	20.4	36.3	88.9	278.1	367.0
2nd	41.6	13.1	28.5	78.0	272.4	350.4
1st	34.5	9.1	25.4	75.4	212.6	288.0
4th Qtr. 1998	25.3	8.2	17.1	72.2	189.2	261.4
3rd	27.3	9.7	17.6	74.5	155.8	230.3
2nd	21.9	5.2	16.7	74.8	146.3	221.1
1st	21.9	5.4	16.5	74.6	130.7	205.3
1999	179.2	55.1	124.1	93.4	301.7	395.1
1998	96.4	28.5	67.9	72.2	189.2	261.4
1997	106.2	18.5	87.7	73.8	128.5	202.3
1996	80.3	29.2	51.1	43.3	116.2	159.5
1995	47.1	13.4	33.7	41.4	95.1	136.5

(1) Includes decreases due to prepayments and increases due to accretions or higher outstanding under variable programs.

## Municipal Debt Service and Premiums

(dollars in millions)

<b>Debt Service (Principal and Interest)</b>	<i>Insured Debt Service</i>			<i>Portfolio Run Off<sup>(1)</sup></i>	<i>Ending Net Outstanding</i>
	<i>Gross</i>	<i>Ceded</i>	<i>Net</i>		
4th Qtr. 1999	\$10,848	\$5,034	\$5,814	\$(3,695)	\$130,685
3rd	13,816	4,495	9,321	(3,005)	128,566
2nd	11,468	2,682	8,786	(3,028)	122,250
1st	9,617	2,877	6,740	(2,573)	116,492
4th Qtr. 1998	16,804	5,824	10,980	(3,807)	112,325
3rd	14,566	3,519	11,047	(1,918)	105,152
2nd	17,997	5,565	12,432	(1,811)	96,023
1st	10,982	4,219	6,763	(2,687)	85,402
1999	45,749	15,088	30,661	(12,301)	130,685
1998	60,349	19,127	41,222	(10,223)	112,325
1997	33,194	8,767	24,427	(6,708)	81,326
1996	20,822	4,242	16,580	(5,531)	63,607
1995	9,675	1,699	7,976	16,056	52,558

<b>Premiums (GAAP Basis)</b>	<i>Written Premium</i>			<i>Ending Net Unearned Premium</i>	<i>Ending Net PV Premium</i>	<i>Total</i>
	<i>Gross</i>	<i>Ceded</i>	<i>Net</i>			
4th Qtr. 1999	\$54.1	\$30.2	\$23.9	\$465.7	\$38.0	\$503.7
3rd	55.2	20.6	34.6	461.2	38.5	499.7
2nd	30.4	7.1	23.3	443.0	34.2	477.2
1st	43.8	19.3	24.5	437.0	43.7	480.7
4th Qtr. 1998	73.4	25.1	48.3	432.4	44.0	476.4
3rd	49.7	12.9	36.8	405.6	42.9	448.5
2nd	67.4	21.9	45.5	382.8	44.2	427.0
1st	32.4	11.0	21.4	353.6	43.3	396.9
1999	183.5	77.2	106.3	465.7	38.0	503.7
1998	222.9	70.9	152.0	432.4	44.0	476.4
1997	130.2	45.0	85.2	348.3	38.5	386.8
1996	96.6	26.7	69.9	316.5	30.9	347.4
1995	63.6	19.7	43.9	288.9	22.4	311.3

(1) Includes decreases due to prepayments and increases due to accretions or higher outstandings under variable programs. 1995 also includes the addition (in millions) of \$19,440 resulting from the merger with Capital Guaranty Corporation.

**Asset-Backed Net Debt Service and Premiums  
Amortizations and Ending Balances  
As of December 31, 1999**

(dollars in millions)

<b>Net Debt Service</b>		
	<i>Scheduled Amortization</i>	<i>Outstanding</i>
4th Qtr. 1999		\$64,886
2000	\$13,559	51,327
2001	9,610	41,717
2002	8,451	33,266
2003	5,786	27,480
2004-2008	18,088	9,392
2009-2013	6,316	3,076
2014-2018	1,598	1,478
2019+	1,478	
<b>Total</b>	<b>\$64,886</b>	

<b>Net Premiums</b>				
	<i>Unearned Premiums</i>	<i>Scheduled Premium Earnings</i>		
		<i>From Unearned Premium Amortization</i>	<i>From Installments</i>	<i>Total</i>
4th Qtr. 1999	\$93.4			
2000	69.6	\$23.8	\$73.6	\$97.4
2001	60.3	9.3	61.4	70.7
2002	51.7	8.6	47.0	55.6
2003	43.6	8.1	36.5	44.6
2004-2008	16.9	26.7	101.9	128.6
2009-2013	3.8	13.1	33.4	46.5
2014-2018	2.4	1.4	8.4	9.8
2019+		2.4	3.6	6.0
<b>Total</b>		<b>\$93.4</b>	<b>\$365.8</b>	<b>\$459.2</b>

**Municipal Net Debt Service and Premiums  
Amortizations and Ending Balances  
As of December 31, 1999**  
(dollars in millions)

<b>Net Debt Service</b>		
	<i>Scheduled Amortization</i>	<i>Outstanding</i>
4th Qtr. 1999		\$130,685
2000	\$7,054	123,631
2001	7,424	116,207
2002	6,971	109,236
2003	7,110	102,126
2003-2007	33,779	68,347
2008-2012	29,034	39,313
2013-2017	20,718	18,595
2018+	18,595	
<b>Total</b>	<b>\$130,685</b>	

<b>Net Premiums</b>				
		<i>Scheduled Premium Earnings</i>		
	<i>Unearned Premiums</i>	<i>From Unearned Premium Amortization</i>	<i>From Installments</i>	<i>Total</i>
4th Qtr. 1999	\$465.7			
2000	414.4	\$51.3	\$6.0	\$57.3
2001	369.8	44.6	4.9	49.5
2002	329.1	40.7	3.8	44.5
2003	292.1	37.0	4.0	41.0
2004-2008	152.3	139.8	18.7	158.5
2009-2013	68.6	83.7	14.4	98.1
2014-2018	25.0	43.6	10.2	53.8
2019+		25.0	8.1	33.1
<b>Total</b>		<b>\$465.7</b>	<b>\$70.1</b>	<b>\$535.8</b>

**FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.**

**Consolidated Statements of Income**

(Dollars in thousands, except per share data)

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>1999</u>	<u>1998</u> *	<u>1999</u>	<u>1998</u> *
<b>Revenues:</b>				
Net premiums written	\$57,837	\$65,323	\$230,435	\$219,853
Increase in deferred premium revenue	(9,647)	(24,387)	(55,476)	(81,926)
Premiums earned	48,190	40,936	174,959	137,927
Net investment income	25,531	21,175	94,723	78,823
Net realized gains (losses)	2,351	5,311	(13,301)	20,890
Other income	243	74	1,323	474
<b>TOTAL REVENUES</b>	<b>76,315</b>	<b>67,496</b>	<b>257,704</b>	<b>238,114</b>
<b>Expenses:</b>				
Losses and loss adjustment expenses	2,879	809	8,829	3,949
Interest expense	4,153	3,375	16,614	10,625
Policy acquisition costs	9,612	10,128	39,809	35,439
Other operating expenses	5,782	12,106	26,429	30,006
<b>TOTAL EXPENSES</b>	<b>22,426</b>	<b>26,418</b>	<b>91,681</b>	<b>80,019</b>
Minority interest and equity earnings	(452)	(844)	(2,045)	(844)
<b>INCOME BEFORE INCOME TAXES</b>	<b>53,437</b>	<b>40,234</b>	<b>163,978</b>	<b>157,251</b>
Provision for income taxes	13,368	10,536	38,573	41,895
<b>NET INCOME</b>	<b>40,069</b>	<b>29,698</b>	<b>125,405</b>	<b>115,356</b>
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities:				
Holding gains (losses) arising during period	(19,704)	(1,811)	(95,125)	26,045
Less: reclassification adjustment for losses (gains) included in net income	(1,281)	(3,453)	9,668	(13,579)
Other comprehensive income (loss)	(20,985)	(5,264)	(85,457)	12,466
<b>COMPREHENSIVE INCOME</b>	<b>\$19,084</b>	<b>\$24,434</b>	<b>\$39,948</b>	<b>\$127,822</b>
As based upon net income:				
Basic earnings per common share	\$1.28	\$1.00	\$4.08	\$3.96
Diluted earnings per common share	\$1.22	\$0.96	\$3.89	\$3.77

\* - As Restated.

As a result of the Company's restatement relating to its accounting for forward share agreements, net income previously reported for the three months and year ended December 31, 1998 decreased by \$1,797 and \$1,622, respectively.

**FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.**

**Consolidated Balance Sheets**

(Dollars in thousands, except per share data)

<b>ASSETS</b>	<i>December 31, <u>1999</u></i>	<i>December 31, <u>1998</u> *</i>
Bonds, at market value (amortized cost of \$1,919,677 and \$1,655,042)	\$1,852,669	\$1,708,040
Equity investments at market value (cost of \$30,104 and \$64,292)	23,606	68,243
Short-term investments	263,747	98,554
<b>Total investments</b>	<b>2,140,022</b>	<b>1,874,837</b>
Cash	6,284	3,490
Deferred acquisition costs	198,048	199,559
Prepaid reinsurance premiums	285,105	217,096
Reinsurance recoverable on unpaid losses	9,492	6,421
Receivable for securities sold	40,635	1,655
Other assets	226,058	149,208
<b>TOTAL ASSETS</b>	<b>2,905,644</b>	<b>\$2,452,266</b>
<b>LIABILITIES AND MINORITY INTEREST, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY</b>		
Deferred premium revenue	\$844,146	\$721,699
Losses and loss adjustment expenses	87,309	71,997
Deferred federal income taxes	43,341	87,254
Ceded reinsurance balances payable	36,387	31,502
Payable for securities purchased	243,519	105,859
Notes payable	230,000	230,000
Minority interest	32,945	20,388
Accrued expenses and other liabilities	135,313	117,421
<b>TOTAL LIABILITIES AND MINORITY INTEREST</b>	<b>\$1,652,960</b>	<b>\$1,386,130</b>
Redeemable preferred stock (20,000,000 and 3,000,000 shares authorized; 2,000,000 issued and outstanding; par value of \$0.01 per share)	<b>\$700</b>	<b>\$700</b>
Common stock (200,000,000 and 50,000,000 shares authorized; 33,676,301 and 32,276,301 issued; par value of \$.01 per share)	337	323
Additional paid-in capital - common	836,853	733,442
Accumulated other comprehensive income (loss) [net of deferred income tax provision (benefit) of \$(25,727) and \$20,288]	(47,779)	37,678
Accumulated earnings	436,417	325,150
Deferred equity compensation	52,670	43,946
Less treasury stock at cost (961,418 and 2,372,839 shares held)	(26,514)	(75,103)
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>\$1,251,984</b>	<b>\$1,065,436</b>
<b>TOTAL LIABILITIES AND MINORITY INTEREST, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY</b>	<b>\$2,905,644</b>	<b>\$2,452,266</b>

\* - As Restated.

As a result of the Company's restatement relating to its accounting for the forward share agreements and to its classification of redeemable preferred stock, shareholders' equity previously reported as of December 31, 1998 has decreased by \$8,000.

# Financial Security Assurance Holdings Ltd.

## Summary Financial Information

(dollars in thousands, except per share data)

	<i>4th Quarter</i>		<i>Year to Date</i>	
	<i>1999</i>	<i>1998*</i>	<i>1999</i>	<i>1998*</i>
<b>Share Data</b>				
Net Earnings <sup>(1)</sup>	\$ 1.22	\$ 0.96	\$ 3.89	\$ 3.77
Book Value <sup>(2)</sup>	38.27	35.63	38.27	35.63
Adjusted Book Value <sup>(2)(3)</sup>	52.57	47.62	52.57	47.62
Dividends:				
Declared	0.1200	0.1125	0.4650	0.4400
Paid	0.1200	0.1125	0.4650	0.4400
Common Shares Outstanding (Thousands):				
Actual	32,715	29,903	32,715	29,903
Weighted Average	30,862	29,339	30,322	28,854
Weighted Average Diluted	32,799	31,033	32,250	30,599
<b>Effective Tax Rates</b>				
Net Investment Income	16.0%	17.2%	15.3%	17.6%
Underwriting and Other Income (Loss)	33.3%	36.2%	34.8%	35.7%
<b>Total Income</b>	<b>25.0%</b>	<b>26.2%</b>	<b>23.5%</b>	<b>26.6%</b>

### Calculation of Average Basic and Diluted Common Shares Outstanding

	<i>Three Months Ended December 31,</i>		<i>Year Ended December 31,</i>	
	<i>1999</i>	<i>1998</i>	<i>1999</i>	<i>1998</i>
<i>(shares in 000's)</i>				
Common shares outstanding	30,862	29,339	30,322	28,854
Shares unissued under employee equity compensation plans	396	251	398	248
Basic common shares outstanding	31,258	29,590	30,720	29,102
Shares contingently issuable under employee equity compensation plans	631	598	631	598
Stock options	24	23	25	24
Convertible preferred stock	886	822	874	875
Diluted common shares outstanding	32,799	31,033	32,250	30,599

(1) Represents diluted earnings per share.

(2) Includes the effect of unrealized gains (losses) on the investment portfolio, which was \$(1.46) and \$1.26 for 1999 and 1998, respectively.

(3) Reflects book value plus the after-tax present value of all deferred premium income and the change in value of forward shares, less deferred expenses.

\*1998 results have been restated to show effect of accounting change for forward share purchase agreements.

**Financial Security Assurance Inc.**  
**Summary Financial Information**  
(dollars in thousands, except per share data)

	<i>4th Quarter</i>		<i>Year to Date</i>	
<b>GAAP Basis</b>	<b>1999</b>	<b>1998</b>	<b>1999</b>	<b>1998</b>
<b>Financial Ratios</b>				
Loss Ratio	6.0%	2.0%	5.0%	2.9%
Expense Ratio <sup>(1)</sup>	37.1	50.6	41.7	45.5
<b>Combined Ratio</b>	<b>43.1</b>	<b>52.6</b>	<b>46.7</b>	<b>48.4</b>
<b>Statutory Basis</b>				
<b>Financial Ratios</b>				
Loss Ratio	(4.5)	23.8	2.7	(7.4)
Expense Ratio <sup>(1)</sup>	15.7	24.7	21.5	26.9
<b>Combined Ratio</b>	<b>11.2</b>	<b>48.5</b>	<b>24.2</b>	<b>19.5</b>
<b>Balance Sheet</b>				
	<b>12/31/99</b>		<b>12/31/98</b>	
Contingency Reserve	\$ 473,387		\$ 367,454	
Capital and Surplus	846,695		670,256	
Qualified Statutory Capital	1,320,082		1,037,710	
Unearned premium reserve	669,691		595,900	
Loss and loss adjustment expense reserves	22,846		12,789	
Policyholders' capital and reserves	2,012,619		1,646,399	
Net present value of installment premiums	339,717		233,199	
Third-party capital support	240,000		240,000	
Total claims-paying resources	2,592,336		2,119,598	
Net insurance in force (principal & interest)	\$195,571,240		\$159,995,258	
Policyholders' leverage (risk-to-capital ratio) <sup>(2)</sup>	148:1		154:1	
Claims-paying ratio <sup>(3)</sup>	75:1		75:1	

(1) Underwriting expense ratio is based on net premium earned for GAAP and net premium written for statutory.

(2) Policyholders' leverage ratio is net insurance in force divided by qualified statutory capital.

(3) Claims-paying ratio is net insurance in force divided by claims-paying resources.

## Annual Financial and Statistical Data

(dollars in thousands, except per share data)

	<i>Years Ended December 31</i>				
	<i>1999</i>	<i>1998*</i>	<i>1997*</i>	<i>1996*</i>	<i>1995</i>
<b>Income Statement</b>					
Gross premiums written	\$362,671	\$319,266	\$236,391	\$176,965	\$110,742
Net premiums written	230,435	219,853	172,878	121,000	77,576
Net premiums earned	174,959	137,927	109,511	90,448	69,347
Net realized gains (losses)	(13,301)	20,890	11,522	3,189	5,120
Net investment income	94,723	78,823	72,085	65,064	48,965
Total revenues	257,704	238,114	202,421	158,998	127,273
Losses and loss adjustment expenses	8,829	3,949	9,156	6,874	21,658 <sup>(2)</sup>
Minority interest and equity earnings	(2,045)	(844)	-	-	-
Policy acquisition and other expenses	82,852	76,070	63,717	46,561	30,573
Income before income taxes	163,978	157,251	129,548	105,563	75,042
Net income	125,405	115,356	94,684	78,025	55,038
Earnings per diluted common share	3.89	3.77	3.06	2.52	2.12
Cash dividends per common share	0.465	0.44	0.405	0.35	0.32
<b>Selected Financial Statistics</b>					
<b>GAAP Basis<sup>(1)</sup></b>					
Loss ratio (%)	5.0	2.9	8.4	7.6	31.2 <sup>(2)</sup>
Expense ratio (%)	41.7	46.4	44.5	42.8	42.2
Combined ratio (%)	46.7	49.3	52.9	50.4	73.4
<b>SAP Basis<sup>(1)</sup></b>					
Loss ratio (%)	2.7	(7.4)	5.2	10.6	16.7
Expense ratio (%)	21.5	26.9	27.6	33.7	45.5
Combined ratio (%)	24.2	19.5	32.8	44.3	62.2
<b>Balance Sheet</b>					
Total investments	\$2,140,022	\$1,874,837	\$1,431,628	\$1,154,416	\$1,110,742
Prepaid reinsurance premiums	285,105	217,096	173,123	151,224	133,548
Total assets	2,905,644	2,452,266	1,931,164	1,537,742	1,490,262
Unearned premiums	844,146	721,699	595,196	511,196	463,897
Notes payable	230,000	230,000	130,000	30,000	30,000
Total liabilities	1,652,960	1,386,130	1,055,215	736,482	712,315
Shareholders' equity	1,251,984	1,065,436	875,249	801,260	777,947
Book value per common share	38.27	35.63	30.44	26.62	24.67
<b>Selected Financial Statistics<sup>(1)</sup></b>					
Gross insurance in force	\$271,964,391	\$216,564,000	\$158,020,000	\$125,432,000	\$99,034,000
Net insurance in force	195,571,240	159,995,000	117,430,000	93,704,000	75,360,000
Qualified statutory capital	1,320,082	1,037,710	781,661	675,944	644,653
Policyholders' leverage ratio	148:1	154:1	150:1	139:1	117:1

(1) These ratios and statistics relate solely to FSA. The GAAP loss ratio is losses and loss adjustment expenses incurred (inclusive of additions to the General Reserve) divided by net premiums earned. The SAP loss ratio is losses and loss adjustment expenses incurred (exclusive of additions to the General Reserve) divided by net premiums earned. The GAAP expense ratio is underwriting and operating expenses divided by net premiums earned. The SAP expense ratio is underwriting and operating expenses divided by net premiums written. The combined ratio on both a GAAP and SAP basis is the sum of the applicable loss and expense ratios.

(2) 1995 losses and loss adjustment expenses and loss ratio include the \$15.4 million increase to the general reserve related to the merger with Capital Guaranty Corporation. Excluding this increase, the loss ratio would have been 9.0%

\*1998, 1997 and 1996 results have been restated to show effect of accounting change for forward share purchase agreements.

## Effect of Insured Bond Refundings

(dollars in thousands, except per share data)

<b>1999</b>	<i>1st Qtr</i>	<i>2nd Qtr</i>	<i>3rd Qtr</i>	<i>4th Qtr</i>	<i>Year</i>
Earned Premium Recognized	\$4,890	\$2,839	\$1,818	\$4,359	\$13,906
Less:					
Deferred Acquisition Costs Recognized	1,308	755	552	1,072	3,687
Net Effect Before Taxes	3,582	2,084	1,266	3,287	10,219
Tax Provision	1,254	729	443	1,150	3,576
Net Income Effect	2,328	1,355	823	2,137	6,643
<b>Net Income Per Share Effect<sup>(1)</sup></b>	<b>\$0.07</b>	<b>\$0.04</b>	<b>\$0.03</b>	<b>\$0.07</b>	<b>\$0.21</b>

<b>1998</b>	<i>1st Qtr</i>	<i>2nd Qtr</i>	<i>3rd Qtr</i>	<i>4th Qtr</i>	<i>Year</i>
Earned Premium Recognized	\$4,693	\$3,481	\$1,013	\$6,626	\$15,813
Less:					
Deferred Acquisition Costs Recognized	1,337	991	269	1,770	4,367
Net Effect Before Taxes	3,356	2,490	744	4,856	11,446
Tax Provision	1,175	871	260	1,700	4,006
Net Income Effect	2,181	1,619	484	3,156	7,440
<b>Net Income Per Share Effect<sup>(1)</sup></b>	<b>\$0.07</b>	<b>\$0.05</b>	<b>\$0.02</b>	<b>\$0.10</b>	<b>\$0.25</b>

(1) Represents diluted earnings per share effect. Sum of quarters may not equal total for year due to effects of SFAS #128.

## Expense Analysis

(dollars in thousands)

<b>1999</b>	<i>1st Qtr</i>	<i>2nd Qtr</i>	<i>3rd Qtr</i>	<i>4th Qtr</i>	<i>Year</i>
Losses and loss adjustment expenses	\$2,175	\$1,825	\$1,950	\$2,880	\$8,830
Interest	4,154	4,153	4,154	4,154	16,615
Amortization of previously deferred underwriting expenses and reinsurance commissions	9,917	10,676	9,604	9,612	39,809
Gross underwriting and operating expenses	25,315	28,451	32,654	30,637	117,057
Underwriting expenses deferred	(20,795)	(19,594)	(25,384)	(24,857)	(90,630)
Reinsurance commissions received, net	(18,965)	(5,283)	(15,577)	(12,508)	(52,333)
Reinsurance commissions deferred, net	18,965	5,283	15,577	12,508	52,333
Other operating expenses	4,520	8,857	7,270	5,780	26,427
<b>Total expenses</b>	<b>\$20,766</b>	<b>\$25,511</b>	<b>\$22,978</b>	<b>\$22,426</b>	<b>\$91,681</b>

<b>1998*</b>	<i>1st Qtr</i>	<i>2nd Qtr</i>	<i>3rd Qtr</i>	<i>4th Qtr</i>	<i>Year</i>
Losses and loss adjustment expenses	\$1,047	\$1,047	\$1,046	\$ 809	\$3,949
Interest	2,434	2,408	2,408	3,375	10,625
Amortization of previously deferred underwriting expenses and reinsurance commissions	8,387	8,527	8,397	10,128	35,439
Gross underwriting and operating expenses	26,840	27,308	23,201	44,228	121,577
Underwriting expenses deferred	(17,957)	(19,701)	(21,789)	(32,124)	(91,571)
Reinsurance commissions received, net	(4,771)	(7,634)	(6,129)	(9,137)	(27,671)
Reinsurance commissions deferred, net	4,771	7,634	6,129	9,137	27,671
Other operating expenses	8,883	7,607	1,412	12,104	30,006
<b>Total expenses</b>	<b>\$20,751</b>	<b>\$19,589</b>	<b>\$13,263</b>	<b>\$26,416</b>	<b>\$80,019</b>

\*1998 results have been restated to show effect of accounting change for forward share purchase agreements.

**Investment Portfolio**  
**December 31, 1999**

(dollars in thousands)

<b>Type of Security</b>	<i>Amortized Cost</i>	<i>Market Value</i>	<i>% of Amortized Cost</i>	<i>Yield<sup>(1)</sup></i>	<i>Annualized Income<sup>(2)</sup></i>
Long-term bonds:					
Tax-exempt	\$1,189,115	\$1,136,013	54.5%	5.54%	\$65,851
Taxable	730,562	716,712	33.5%	6.49%	47,533
Short-term	263,747	263,691	12.0%	5.43%	11,143
<b>Total<sup>(3)</sup></b>	<b>\$2,183,424</b>	<b>\$2,116,416</b>	<b>100.0%</b>	<b>5.88%</b>	<b>\$124,547</b>
<b>Maturity</b>	<i>Amortized Cost</i>	<i>% of Amortized Cost</i>	<b>Quality Distribution of Long-Term Fixed Income Investments</b>		
Within 1 Year	\$ 269,829	12.4%	AAA	72.3%	
1 to 5 Years	189,461	8.7%	AA	18.5%	
5 to 10 Years	154,121	7.1%	A	8.8%	
10 or more Years	1,144,877	52.4%	BBB	0.1%	
Mortgage-backed Securities	384,349	17.6%	NR	0.3%	
Asset-backed Securities	40,787	1.8%		100.0%	
<b>Total<sup>(3)</sup></b>	<b>\$2,183,424</b>	<b>100.0%</b>			

(1) Estimated yield on assets at end of reporting quarter; short-term investments includes taxable and tax-exempt securities, but excludes cash equivalents of \$58.7 million.

(2) Before taxes if applicable; based on indicated yields.

(3) Excludes stocks of \$30.1 million.

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### **Common Stock**

The common stock of Financial Security Assurance Holdings Ltd. is listed and traded on the New York Stock Exchange.  
Ticker symbol: FSA

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**FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.**  
**Quarterly Operating Supplement**  
*December 31, 1999*