

# Quarterly Operating Supplement

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*March 31, 2000*

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(See earnings release for  
first quarter financial statements  
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FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.



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## QUARTERLY OPERATING SUPPLEMENT

1st Quarter 2000

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## Financial Security Assurance Holdings Ltd. Highlights

<b>Financial Key Lines</b>	<i>1st Qtr 2000</i>	<i>Year to Date 2000</i>	<i>Full Year 1999</i>
Net Income (Loss) (Millions)	\$(12.8)	\$(12.8)	\$ 125.4
Stockholders' Equity (Millions)	\$1,279.0	\$1,279.0	\$1,252.0
Return on Average Equity	(4.0)%	(4.0)%	11.4%
Policyholders' Leverage Ratio <sup>(1)</sup>	148:1	148:1	148:1
Loss Ratio <sup>(1)</sup>	3.7%	3.7%	5.0%
Expense Ratio <sup>(1)</sup>	47.7%	47.7%	41.7%
Combined Ratio <sup>(1)</sup>	51.4%	51.4%	46.7%
Effective Tax Rates:			
Net Investment Income	13.5%	13.5%	15.3%
Underwriting and Other Income (Loss)	N/M	N/M	34.8%
Total Income	N/M	N/M	23.5%

<b>Stockholder Data</b>	<i>1st Qtr 2000</i>	<i>Year to Date 2000</i>	<i>Full Year 1999</i>
Net Income (Loss) Per Share <sup>(2) *</sup>	\$(0.38)	\$(0.38)	\$ 3.89
Components of Adjusted Book Value Per Share:			
Book Value Per Share <sup>(3)</sup>	\$ 38.75	\$ 38.75	\$ 38.27
After-tax value of:			
Net deferred premium revenue, net of DAC	6.73	6.73	6.99
Present value of installment premiums	6.68	6.68	7.02
Gain on forward shares	<u>1.11</u>	<u>1.11</u>	<u>0.29</u>
Adjusted Book Value Per Share <sup>(3)(4)</sup>	\$ 53.27	\$ 53.27	\$ 52.57
Common Shares Outstanding (Thousands):			
Actual	33,007	33,007	32,715
Weighted Average	32,899	32,899	30,322
Weighted Average Diluted	34,571	34,571	32,250
Dividends Paid Per Share	\$0.1200	\$0.1200	\$0.4650

<b>Analytical Indices<sup>(2)</sup></b>	<i>1st Qtr 2000</i>	<i>Year to Date 2000</i>	<i>Full Year 1999</i>
Net Income Analysis (Per Common Share):			
Core Net Income	\$ 1.21	\$ 1.21	\$ 4.34
Refundings, Calls and Other Accelerations	<u>0.04</u>	<u>0.04</u>	<u>0.21</u>
Operating Net Income	1.25	1.25	4.55
Realized Capital Gains (Losses)	(0.55)	(0.55)	(0.30)
Equity Based Compensation	(1.07)	(1.07)	(0.34)
Other	<u>(0.01)</u>	<u>(0.01)</u>	<u>(0.02)</u>
Net Income *	\$ (0.38)	\$ (0.38)	\$ 3.89

(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 \$(0.18) and \$(1.46) for 2000 and 1999, respectively.

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

\* Net loss per share is based on 33,422,000 common shares outstanding due to the provisions of SFAS No. 128. Core and operating earnings per share calculations are based on 34,571,000 common shares outstanding.

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

(dollars in billions)

	<u>Par Value</u>		<i>Percent Insured</i>	<u>FSA Market Share <sup>(2)</sup></u>	
	<i>Issued</i>	<i>Insured</i>		<i>Amount</i>	<i>Percent</i>
1st Qtr. 2000	\$40.5	\$16.8	41.5%	\$3.7	22.0%
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%
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. Data is subject to revision as additional information becomes available.

(2) Share of insured bond market. FSA volume for 1993 through 2000 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>1st Quarter</i>		<i>Year-to-Date</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
<b>Municipal New Issue</b>				
Gross Par Value Insured	3,570	5,475	3,570	5,475
Gross Premiums Written				
Up-Front	14.2	41.1	14.2	41.1
Installments <sup>(1)</sup>	2.1	2.3	2.1	2.3
Total Gross Premiums	16.3	43.4	16.3	43.4
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>19.7</b>	<b>43.3</b>	<b>19.7</b>	<b>43.3</b>
<b>Municipal Secondary</b>				
Gross Par Value Insured	392	119	392	119
Gross Premiums Written				
Up-Front	3.2	0.5	3.2	0.5
Installments <sup>(1)</sup>	0.1	0.1	0.1	0.1
Total Gross Premiums	3.3	0.6	3.3	0.6
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>2.2</b>	<b>0.5</b>	<b>2.2</b>	<b>0.5</b>
<b>Asset-Backed</b>				
Gross Par Value Insured	3,849	7,258	3,849	7,258
Gross Premiums Written				
Up-Front	7.3	1.4	7.3	1.4
Installments <sup>(1)</sup>	40.0	32.9	40.0	32.9
Total Gross Premiums	47.3	34.3	47.3	34.3
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>40.4</b>	<b>78.3</b>	<b>40.4</b>	<b>78.3</b>
<b>Total Insurance Written</b>				
Gross Par Value Insured	7,811	12,852	7,811	12,852
Gross Premiums Written				
Up-Front	24.7	43.0	24.7	43.0
Installments <sup>(1)</sup>	42.2	35.3	42.2	35.3
Total Gross Premiums	66.9	78.3	66.9	78.3
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>62.3</b>	<b>122.1</b>	<b>62.3</b>	<b>122.1</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 2000 is 5.77% per annum and in 1999 is 5.93% 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)

	<i>Insured in 2000</i>				<i>Outstanding as of March 31, 2000</i>	
	<i>Gross Amount</i>	<i>%</i>	<i>Net Amount</i>	<i>%</i>	<i>Net Amount</i>	<i>%</i>
<b>Municipal Obligations</b>						
<b>Domestic</b>						
General obligation bonds	\$ 1,804	45.5	\$ 1,217	48.2	\$30,859	38.5
Tax-supported bonds	791	20.0	433	17.2	17,997	22.5
Municipal utility revenue bonds	190	4.8	173	6.9	11,408	14.2
Health care revenue bonds	126	3.2	68	2.7	5,864	7.3
Housing revenue bonds	484	12.2	449	17.8	3,017	3.8
Transportation revenue bonds	340	8.6	104	4.1	3,383	4.2
Other municipal bonds	83	2.1	78	3.1	6,203	7.8
Subtotal	3,818	96.4	2,522	100.0	78,731	98.3
<b>International</b>	144	3.6	-	0.0	1,364	1.7
<b>Total municipal obligations</b>	<b>\$3,962</b>	<b>100.0</b>	<b>\$2,522</b>	<b>100.0</b>	<b>\$80,095</b>	<b>100.0</b>
<b>Geographic Distribution</b>						
California	\$ 289	7.3	\$ 252	10.0	\$11,683	14.6
New York	722	18.2	276	10.9	7,090	8.9
Pennsylvania	232	5.9	225	8.9	5,619	7.0
Texas	193	4.9	151	6.0	5,166	6.4
Florida	534	13.5	259	10.3	4,934	6.2
New Jersey	369	9.3	243	9.6	4,609	5.7
Illinois	115	2.9	98	3.9	4,129	5.2
Massachusetts	21	0.5	21	0.8	2,563	3.2
Michigan	44	1.1	30	1.2	2,527	3.1
Wisconsin	118	3.0	88	3.5	2,218	2.8
Washington	81	2.0	47	1.9	1,749	2.2
All Other U.S. Jurisdictions	1,100	27.8	832	33.0	26,444	33.0
International	144	3.6	-	0.0	1,364	1.7
<b>Total</b>	<b>\$3,962</b>	<b>100.0</b>	<b>\$2,522</b>	<b>100.0</b>	<b>\$80,095</b>	<b>100.0</b>

<b>Asset-Backed Obligations</b>						
<b>Domestic</b>						
Residential mortgages	\$ 1,032	26.8	\$ 897	27.0	\$ 16,012	31.8
Consumer receivables	2,500	64.9	2,250	67.8	14,618	29.0
Pooled corporate obligations	64	1.7	64	1.9	11,122	22.1
Investor-owned utility obligations	-	0.0	-	0.0	512	1.0
Other asset-backed obligations	10	0.3	9	0.3	1,657	3.3
Subtotal	3,606	93.7	3,220	97.0	43,921	87.2
<b>International</b>	243	6.3	99	3.0	6,428	12.8
<b>Total asset-backed obligations</b>	<b>\$3,849</b>	<b>100.0</b>	<b>\$3,319</b>	<b>100.0</b>	<b>\$50,349</b>	<b>100.0</b>

<b>Distribution of Insured Portfolio by Rating as of March 31, 2000</b>	<b>Rating<sup>(1)</sup></b>	<b>Percent of Portfolio</b>
	AAA	9.3
	AA	24.4
	A	45.1
	BBB	20.4
	Other	<u>0.8</u>
	100.0	

<sup>(1)</sup> 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>Gross</i>	<i>Ceded</i>	<i>Net</i>	<i>Portfolio Run Off<sup>(1)</sup></i>	<i>Ending Net Outstanding</i>
1st Qtr. 2000	\$4,968	\$936	\$4,032	\$(4,775)	\$64,143
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	13,392	2,635	10,677	(3,225)	57,944
1st	8,610	1,360	7,250	(4,428)	50,492
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>Gross</i>	<i>Ceded</i>	<i>Net</i>	<i>Ending Net Unearned Premium</i>	<i>Ending Net PV Premium</i>	<i>Total</i>
1st Qtr. 2000	\$47.3	\$17.7	\$29.6	\$93.0	\$287.6	\$380.6
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
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>		
1st Qtr. 2000	\$7,682	\$3,068	\$4,614	\$(3,481)	\$131,818
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
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>			
1st Qtr. 2000	\$19.6	\$12.3	\$7.3	\$454.9	\$39.5	\$494.4
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
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 March 31, 2000**  
(dollars in millions)

<b>Net Debt Service</b>		
	<i>Scheduled Amortization</i>	<i>Outstanding</i>
1st Qtr. 2000		\$64,143
2nd	\$3,938	60,205
3rd	3,422	56,783
4th	3,730	53,053
2001	10,616	42,437
2002	8,832	33,605
2003	6,083	27,522
2004	6,491	21,031
2005-2009	13,477	7,554
2010-2014	4,746	2,808
2015-2019	1,467	1,341
2020+	1,341	
<b>Total</b>	<b>\$64,143</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>
1st Qtr. 2000	\$93.0			
2nd	81.3	\$11.7	\$17.6	\$29.3
3rd	77.0	4.3	21.7	26.0
4th	73.8	3.2	21.2	24.4
2001	64.2	9.6	64.4	74.0
2002	55.6	8.6	48.8	57.4
2003	47.6	8.0	37.9	45.9
2004	40.5	7.1	28.6	35.7
2005-2009	14.6	25.9	83.6	109.5
2010-2014	3.3	11.3	26.9	38.2
2015-2019	2.3	1.0	6.9	7.9
2020+		2.3	3.1	5.4
<b>Total</b>		<b>\$93.0</b>	<b>\$360.7</b>	<b>\$453.7</b>

**Municipal Net Debt Service and Premiums  
Amortizations and Ending Balances  
As of March 31, 2000**  
(dollars in millions)

<b>Net Debt Service</b>		
	<i>Scheduled Amortization</i>	<i>Outstanding</i>
1st Qtr. 2000		\$131,818
2nd	\$1,686	130,132
3rd	2,092	128,040
4th	1,774	126,266
2001	7,598	118,668
2002	7,125	111,543
2003	7,248	104,295
2004	7,067	97,228
2005-2009	33,566	63,662
2010-2014	28,239	35,423
2015-2019	19,248	16,175
2020+	16,175	
<b>Total</b>	<b>\$131,818</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>
1st Qtr. 2000	\$454.9			
2nd	441.4	\$13.5	\$1.4	\$14.9
3rd	428.7	12.7	1.7	14.4
4th	416.5	12.2	1.9	14.1
2001	371.5	45.0	6.2	51.2
2002	330.4	41.1	4.2	45.3
2003	293.1	37.3	4.3	41.6
2004	259.1	34.0	3.9	37.9
2005-2009	131.9	127.2	18.5	145.7
2010-2014	57.2	74.7	13.6	88.3
2015-2019	19.8	37.4	9.3	46.7
2020+		19.8	7.4	27.2
<b>Total</b>		<b>\$454.9</b>	<b>\$72.4</b>	<b>\$527.3</b>

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

	<i>1st Quarter</i>		<i>Year to Date</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
<b>Share Data</b>				
Net Earnings <sup>(1) *</sup>	\$(0.38)	\$ 1.01	\$(0.38)	\$ 1.01
Book Value <sup>(2)</sup>	38.75	36.06	38.75	36.06
Adjusted Book Value <sup>(2)(3)</sup>	53.27	49.01	53.27	49.01
Dividends:				
Declared	0.1200	0.1125	0.1200	0.1125
Paid	0.1200	0.1125	0.1200	0.1125
Common Shares Outstanding (Thousands):				
Actual	33,007	30,166	33,007	30,166
Weighted Average	32,899	30,113	32,899	30,113
Weighted Average Diluted	34,571	31,790	34,571	31,790
<b>Effective Tax Rates</b>				
Net Investment Income	13.5%	15.4%	13.5%	15.4%
Underwriting and Other Income (Loss)	N/M	35.1%	N/M	35.1%
<b>Total Income</b>	<b>N/M</b>	<b>25.0%</b>	<b>N/M</b>	<b>25.0%</b>

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

	<i>Three Months Ended March 31,</i>	
	<i>2000</i>	<i>1999</i>
<i>(shares in 000's)</i>		
Common shares outstanding	32,899	30,113
Shares unissued under employee equity compensation plans	523	400
Basic common shares outstanding	33,422	30,513
Shares contingently issuable under employee equity compensation plans	223	404
Stock options	24	24
Convertible preferred stock	902	849
Diluted common shares outstanding *	34,571	31,790

(1) Represents diluted earnings per share.

(2) Includes the effect of unrealized gains (losses) on the investment portfolio, which was \$(0.18) and \$0.80 for 2000 and 1999, 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.

\* Net loss per share is based on 33,422,000 common shares outstanding due to the provisions of SFAS No. 128. Core and operating earnings per share calculations are based on 34,571,000 common shares outstanding.

## Financial Security Assurance Inc. Summary Financial Information

(dollars in thousands, except per share data)

		<i>1st Quarter</i>	
		<i>2000</i>	<i>1999</i>
<b>GAAP Basis</b>			
<b>Financial Ratios</b>			
Loss Ratio		3.7%	5.3%
Expense Ratio <sup>(1)</sup>		47.7	43.7
<b>Combined Ratio</b>		<b>51.4</b>	<b>49.0</b>
<b>Statutory Basis</b>			
<b>Financial Ratios</b>			
Loss Ratio		0.4	1.6
Expense Ratio <sup>(1)</sup>		120.1	24.8
<b>Combined Ratio</b>		<b>120.5</b>	<b>26.4</b>
<b>Balance Sheet</b>		<i>3/31/00</i>	<i>12/31/99</i>
Contingency Reserve		\$ 502,740	\$ 473,387
Capital and Surplus		817,225	846,695
Qualified Statutory Capital		1,319,965	1,320,082
Unearned premium reserve		663,574	669,691
Loss and loss adjustment expense reserves		23,230	22,846
Policyholders' capital and reserves		2,006,769	2,012,619
Net present value of installment premiums		327,134	339,717
Third-party capital support		240,000	240,000
Total claims-paying resources		2,573,903	2,592,336
Net insurance in force (principal & interest)		\$195,961,321	\$195,571,240
Policyholders' leverage (risk-to-capital ratio) <sup>(2)</sup>		148:1	148:1
Claims-paying ratio <sup>(3)</sup>		76:1	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	797,825	777,247
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>2000</b>	<i>1st Qtr</i>	<i>2nd Qtr</i>	<i>3rd Qtr</i>	<i>4th Qtr</i>	<i>Year</i>
Earned Premium Recognized	\$3,071				\$3,071
Less:					
Deferred Acquisition Costs Recognized	804				804
Net Effect Before Taxes	2,267				2,267
Tax Provision	793				793
Net Income Effect	1,474				1,474
<b>Net Income Per Share Effect<sup>(1)</sup></b>	<b>\$0.04</b>				<b>\$0.04</b>

<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>

(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>2000</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	\$1,781				\$1,781
Interest	4,154				4,154
Amortization of previously deferred underwriting expenses and reinsurance commissions	9,681				9,681
Gross underwriting and operating expenses	76,844				76,844
Underwriting expenses deferred	(17,014)				(17,014)
Reinsurance commissions received, net	(7,777)				(7,777)
Reinsurance commissions deferred, net	7,777				7,777
Other operating expenses	59,830				59,830
<b>Total expenses</b>	<b>\$75,446</b>				<b>\$75,446</b>

<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>

## Investment Portfolio

**March 31, 2000**

(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	\$1,318,302	\$1,319,184	66.8%	5.73%	\$75,539
Taxable	499,272	493,735	25.3%	6.55%	32,714
Short-term	155,825	155,785	7.9%	6.10%	6,793
<b>Total<sup>(3)</sup></b>	<b>\$1,973,399</b>	<b>\$1,968,704</b>	<b>100.0%</b>	<b>5.96%</b>	<b>\$115,046</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	\$ 166,865	8.4%	AAA	69.3%	
1 to 5 Years	153,996	7.8%	AA	23.0%	
5 to 10 Years	126,664	6.4%	A	7.5%	
10 or more Years	1,293,622	65.5%	BBB	0.2%	
Mortgage-backed Securities	207,339	10.6%	NR	0.0%	
Asset-backed Securities	24,913	1.3%		100.0%	
<b>Total<sup>(3)</sup></b>	<b>\$1,973,399</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 \$44.5 million.

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

(3) Excludes stocks of \$23.4 million.

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**Quarterly Operating Supplement**  
*March 31, 2000*