

# Quarterly Operating Supplement

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*September 30, 2000*

FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.



# FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

## QUARTERLY OPERATING SUPPLEMENT

3rd Quarter 2000

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Financial Security Assurance Holdings Ltd. (the Company), through its wholly owned subsidiary, Financial Security Assurance Inc. (FSA), provides Aaa/AAA/AAA financial guaranty insurance for obligations in the municipal, infrastructure, asset-backed and structured finance markets worldwide. FSA's financial strength is rated Triple-A by Fitch, Moody's Investors Service, Inc., Standard & Poor's Ratings Services (S&P) and Japan Rating and Investment Information, Inc. (R&I). The Company is an indirect subsidiary of Dexia S.A., a leading European banking group with three major business lines: public and project finance; retail banking; and private banking, asset management and investment fund administration.

## Financial Security Assurance Holdings Ltd. Highlights

<b>Financial Key Lines</b>	<b>3rd Qtr 2000</b>	<b>Year to Date 2000</b>	<b>Full Year 1999</b>
Net Income (Loss) (in millions):	\$ 41.8	\$ 17.2	\$ 125.4
Stockholders' Equity (in millions):	\$1,367.4	\$1,367.4	\$1,252.0
Return on Average Equity	12.4%	1.8%	11.4%
GAAP:			
Loss Ratio <sup>(1)</sup>	5.0%	5.2%	5.0%
Expense Ratio <sup>(1)</sup>	37.2%	65.8%	41.7%
Combined Ratio <sup>(1)</sup>	42.2%	71.0%	46.7%
Effective Tax Rates:			
Net Investment Income	12.5%	13.0%	15.3%
Underwriting and Other Income (Loss)	33.0%	N/M	34.8%
Total Income	21.1%	N/M	23.5%

	<b>3rd Qtr 2000</b>	<b>Year to Date 2000</b>	<b>Full Year 1999</b>
Net Income Analysis (in millions):			
Core Net Income	\$ 44.4	\$ 127.4	\$ 140.0
Refundings, Calls and Other Accelerations	<u>1.1</u>	<u>3.3</u>	<u>6.7</u>
Operating Net Income	45.5	130.7	146.7
Realized Capital Losses	(0.3)	(25.2)	(9.7)
Equity Based Compensation	(3.1)	(66.6)	(11.1)
Other	<u>(0.3)</u>	<u>(21.7)</u>	<u>(0.5)</u>
Net Income	\$41.8	\$17.2	\$125.4

<b>Adjusted Book Value</b>	<b>September 30, 2000</b>	<b>December 31, 1999</b>
Components of Adjusted Book Value (in millions):		
Book Value <sup>(2)</sup>	\$1,367.4	\$1,251.0
After-tax value of:		
Net deferred premium revenue, net of DAC	241.0	228.9
Present value of installment premiums	250.3	233.8
Gain on forward shares	<u>0.0</u>	<u>6.1</u>
Adjusted Book Value	\$1,858.7	\$1,719.8

(1) Relates solely to FSA.

(2) Includes the effect of unrealized gains (losses) in the investment portfolio, which was \$17.8 at September 30, 2000 and (\$47.8) at December 31, 1999.

## FSA OPERATING EARNINGS EXCEED \$45 MILLION IN THIRD QUARTER

\* \* \*

### CORE AND OPERATING EARNINGS BOTH ROSE 24% IN QUARTER

Financial Security Assurance Holdings Ltd. (the Company), the holding company for bond insurer Financial Security Assurance Inc. (FSA), achieved growth rates of approximately 24% in both core and operating earnings during the third quarter of 2000.

#### KEY RESULTS

##### Third Quarter 2000

- Core earnings reached \$44.4 million for the quarter, a 23.6% increase over the result in last year's comparable period.
- Operating earnings rose 23.8% to \$45.5 million.
- The Company reported net income of \$41.8 million, compared with \$29.7 million in third quarter 1999.
- FSA produced \$90.1 million of present value (PV) premiums, compared with the record third-quarter result of \$150.8 million in 1999.

##### Nine Months 2000

- Core earnings reached \$127.4 million, a 27.1% increase over the result in last year's comparable period.
- Operating earnings rose 24.8% to \$130.7 million.
- Reported net income, which was affected by \$75.5 million in after-tax merger-related expenses in the first half, was \$17.2 million, compared with \$85.3 million in the first nine months of 1999.
- Adjusted book value reached \$1.9 billion, or \$55.45 per share, at September 30, 2000, reflecting 11.6% growth from operations alone over the past 12 months and 13.1% including realized and unrealized capital gains and losses in the investment portfolio and after adjusting for merger-related effects of \$2.19 per share. (Adjusted book value is book value plus the after-tax present value of all deferred premium income, less deferred expenses.)
- FSA produced \$321.8 million of PV premiums, compared with last year's record nine-month results of \$389.9 million.

"This was an important quarter for FSA," said Robert P. Cochran, chairman and chief executive officer. "We achieved excellent results with balanced production across market sectors, and completed our merger with Dexia, a leading European banking group. We are now stronger than ever, and FSA and Dexia together offer our customers a unique combination of financial guaranty and banking products," he added.

#### NEW BUSINESS PRODUCTION

**Municipal.** After nine months, new-issue volume in the U.S. municipal market had declined 19% compared with its level at the same point a year ago. FSA insured \$5.3 billion par of U.S. primary and secondary municipal obligations with closing dates in the third quarter, compared

with \$7.9 billion in the prior year's comparable period. FSA's U.S. municipal PV premium originations were \$34.0 million for the quarter, compared with \$59.3 million in the third quarter of 1999. For nine months, FSA insured \$14.8 billion par of U.S. municipal obligations, compared with \$20.3 billion in the comparable period, producing PV premiums of \$99.7 million, compared with \$131.0 million in the comparable period. On a sale-date basis, FSA guaranteed approximately 23% of the insured U.S. municipal bonds issued year-to-date.

**Asset-backed.** FSA had a steady quarter in the asset-backed market, with substantial contributions from the collateralized debt obligation, consumer receivable and residential mortgage sectors. Third-quarter U.S. asset-backed par originated of \$6.9 billion generated \$38.5 million of PV premiums, compared with \$5.9 billion of par and \$50.7 million of PV premium in last year's comparable period. For nine months, U.S. asset-backed par volume reached \$18.5 billion and PV premiums totaled \$137.2 million, compared with \$18.8 billion and \$155.0 million, respectively, for nine months of 1999.

**International.** FSA had a strong quarter in European structured finance and synthetic transactions. FSA insured \$2.1 billion of par, generating \$17.6 million of PV premiums in the quarter versus \$0.9 billion of par and \$40.8 million of PV premiums in the third quarter of 1999. Year-to-date, FSA has insured \$7.0 billion of international transactions to generate \$84.9 million of PV premiums versus \$5.6 billion of par and \$103.9 million of PV premiums in the first nine months of 1999.

"We'll have a strong finish for the year," said Mr. Cochran. "Municipal new-issue volume is down because of healthy budget surpluses, but we are continuing to write substantial municipal business that meets our credit and return criteria. Our asset-backed business is robust, and the international business is expanding in Europe and developing nicely in Japan.

"Looking ahead, our combination with Dexia provides us with new strengths and puts FSA in a unique position in our industry," he added.

This document 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 for the year ended December 31, 1999. Forward-looking statements in this supplement 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.

FSA guarantees scheduled payments of principal and interest of municipal bonds and asset-backed securities. FSA's claims-paying ability is rated Triple-A by Fitch, 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. The Company is an indirect subsidiary of Dexia S.A. Information about the Company is available on the World Wide Web at [www.fsa.com](http://www.fsa.com).

**FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.**  
**Consolidated Statements of Operations and Comprehensive Income**  
(Dollars in thousands)

	<i>Three Months Ended</i>		<i>Nine Months Ended</i>	
	<i>September 30,</i>		<i>September 30,</i>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
<b>Revenues:</b>				
Net premiums written (net of premiums ceded of \$31,264, \$41,106, \$119,024 and \$89,620)	\$43,909	\$70,853	\$153,548	\$172,598
Increase in deferred premium revenue	<u>1,775</u>	<u>(28,152)</u>	<u>(15,598)</u>	<u>(45,829)</u>
Premiums earned (net of premiums ceded of \$20,204, \$16,431, \$58,170 and \$46,652)	45,684	42,701	137,950	126,769
Net investment income	30,741	24,432	88,580	69,192
Net realized gains (losses)	(565)	(6,022)	(38,298)	(15,652)
Other income	<u>231</u>	<u>928</u>	<u>916</u>	<u>1,080</u>
<b>TOTAL REVENUES</b>	<b><u>76,091</u></b>	<b><u>62,039</u></b>	<b><u>189,148</u></b>	<b><u>181,389</u></b>
<b>Expenses:</b>				
Losses and loss adjustment expenses (net of reinsurance recoveries of \$1,609, \$5,027, \$1,000 and \$2,796)	2,281	1,950	7,139	5,950
Interest expense	4,154	4,154	12,461	12,461
Policy acquisition costs	8,996	9,604	28,436	30,197
Merger related expenses	-	-	105,541	-
Other operating expenses	<u>7,610</u>	<u>7,270</u>	<u>27,381</u>	<u>20,647</u>
<b>TOTAL EXPENSES</b>	<b><u>23,041</u></b>	<b><u>22,978</u></b>	<b><u>180,958</u></b>	<b><u>69,255</u></b>
Minority interest and equity earnings	<u>(113)</u>	<u>(665)</u>	<u>(1,020)</u>	<u>(1,593)</u>
<b>INCOME BEFORE INCOME TAXES</b>	52,937	38,396	7,170	110,541
Benefit (provision) for income taxes	<u>(11,145)</u>	<u>(8,689)</u>	<u>10,050</u>	<u>(25,205)</u>
<b>NET INCOME</b>	<b><u>41,792</u></b>	<b><u>29,707</u></b>	<b><u>17,220</u></b>	<b><u>85,336</u></b>
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities:				
Holdings gains (losses) arising during period	16,602	(27,742)	39,900	(76,082)
Less: reclassification adjustment for losses included in net income	<u>(365)</u>	<u>(4,301)</u>	<u>(25,714)</u>	<u>(10,949)</u>
Other comprehensive income (loss)	<u>16,967</u>	<u>(23,441)</u>	<u>65,614</u>	<u>(65,133)</u>
<b>COMPREHENSIVE INCOME</b>	<b><u>\$ 58,759</u></b>	<b><u>\$ 6,266</u></b>	<b><u>\$ 82,834</u></b>	<b><u>\$ 20,203</u></b>

## FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

### Consolidated Balance Sheets

(Dollars in thousands, except per share data)

ASSETS	September 30, <u>2000</u>	December 31, <u>1999</u>
Bonds at market value (amortized cost of \$1,979,296 and \$1,919,677)	\$2,005,767	\$1,852,669
Equity investments at market value (cost of \$10,100 and \$30,104)	9,748	23,606
Short-term investments	<u>87,624</u>	<u>263,747</u>
<b>Total investments</b>	<b>2,103,139</b>	<b>2,140,022</b>
Cash	2,516	6,284
Deferred acquisition costs	192,623	198,048
Prepaid reinsurance premiums	343,374	285,105
Reinsurance recoverable on unpaid losses	11,310	9,492
Receivable for securities sold	31,611	40,635
Investment in unconsolidated affiliates	32,449	29,709
Other assets	<u>303,745</u>	<u>196,349</u>
<b>TOTAL ASSETS</b>	<b><u>\$3,020,767</u></b>	<b><u>\$2,905,644</u></b>
<b>LIABILITIES AND MINORITY INTEREST, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY</b>		
Deferred premium revenue	\$ 914,834	\$ 844,146
Losses and loss adjustment expenses	98,138	87,309
Deferred federal income taxes	64,823	43,341
Ceded reinsurance balances payable	42,768	36,387
Payable for securities purchased	50,235	243,519
Notes payable	230,000	230,000
Minority interest	35,692	32,945
Accrued expenses and other liabilities	<u>216,867</u>	<u>135,313</u>
<b>TOTAL LIABILITIES AND MINORITY INTEREST</b>	<b><u>1,653,357</u></b>	<b><u>1,652,960</u></b>
Redeemable preferred stock (20,000,000 shares authorized; 0 and 2,000,000 issued and outstanding; par value of \$.01 per share)		20
Additional paid-in capital - preferred		<u>680</u>
<b>REDEEMABLE PREFERRED STOCK</b>		<b><u>700</u></b>
Common stock (200,000,000 shares authorized; 33,517,995 and 33,676,301 issued; par value of \$.01 per share)	335	337
Additional paid-in capital - common	903,479	836,853
Accumulated other comprehensive income (loss) [net of deferred income tax provision (benefit) of \$8,284 and \$(25,727)]	17,835	(47,779)
Accumulated earnings	445,761	436,417
Deferred equity compensation		52,670
Less treasury stock at cost (0 and 961,418 shares held)		<u>(26,514)</u>
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b><u>1,367,410</u></b>	<b><u>1,251,984</u></b>
<b>TOTAL LIABILITIES AND MINORITY INTEREST, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY</b>	<b><u>\$3,020,767</u></b>	<b><u>\$2,905,644</u></b>

## 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	\$3,077	\$2,281		\$7,139
Interest	4,154	4,153	4,154		12,461
Amortization of previously deferred underwriting expenses and reinsurance commissions	9,681	9,759	8,996		28,436
Gross underwriting and operating expenses	26,717	29,511	27,031		83,251
Merger related expenses	50,127	55,414	–		105,541
Underwriting expenses deferred	(17,014)	(19,443)	(19,421)		(55,878)
Reinsurance commissions received, net	(7,777)	(16,600)	(8,489)		(32,866)
Reinsurance commissions deferred, net	7,777	16,600	8,489		32,866
Other operating expenses	59,830	65,482	7,610		132,922
<b>Total expenses</b>	<b>\$75,446</b>	<b>\$82,471</b>	<b>\$23,041</b>		<b>\$180,958</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>

## 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	\$1,800	\$2,421		\$7,292
Less:					
Deferred Acquisition Costs Recognized	804	581	755		2,140
Net Effect Before Taxes	2,267	1,219	1,666		5,152
Tax Provision	793	427	583		1,803
Net Income Effect	1,474	792	1,083		3,349

<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.

## 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
<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 (%)	3.0	(7.4)	5.2	10.6	16.7
Expense ratio (%)	21.5	26.9	27.6	33.7	45.5
Combined ratio (%)	24.5	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
<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.

## Statutory Analytics & Investment Portfolio

### September 30, 2000

(dollars in thousands)

Statutory Analytics	<i>3rd Qtr 2000</i>	<i>Year-to-date 2000</i>	<i>Full Year 1999</i>
Loss Ratio <sup>(1)</sup>	(9.1)%	(1.5)%	3.0%
Expense Ratio <sup>(1)</sup>	32.4%	76.0%	21.5%
Combined Ratio <sup>(1)</sup>	23.3%	74.5%	24.5%
		<i>9/30/00</i>	<i>12/31/99</i>
Contingency Reserve	\$	573,282	\$ 473,387
Capital and Surplus		799,055	846,695
Qualified Statutory Capital		1,372,337	1,320,082
Unearned premium reserve		693,512	669,691
Loss and loss adjustment expense reserves		22,756	22,846
Policyholders' capital and reserves		2,088,605	2,012,619
Net present value of installment premiums		370,323	339,717
Third-party capital support		240,000	240,000
Total claims-paying resources		2,698,928	2,592,336
Net insurance in force (principal & interest)	\$	212,768,652	\$ 195,571,240
Policyholders' leverage (risk-to-capital ratio) <sup>(2)</sup>		155:1	148:1
Claims-paying ratio <sup>(3)</sup>		79:1	75:1

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

Investment Portfolio					
Type of Security	<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	\$1,446,370	\$1,470,112	70.0%	5.74%	\$82,992
Taxable	532,926	535,655	25.8%	7.16%	38,879
Short-term	87,624	87,624	4.2%	5.61%	2,624
<b>Total <sup>(3)</sup></b>	<b>\$2,066,920</b>	<b>\$2,093,391</b>	<b>100.0%</b>	<b>6.13%</b>	<b>\$124,495</b>
	<i>Amortized Cost</i>	<i>% of Amortized Cost</i>	<b>Quality Distribution of Long-Term Fixed Income Investments</b>		
<b>Maturity</b>					
Within 1 Year	\$ 87,702	4.2%	AAA	69.5%	
1 to 5 Years	51,271	2.5%	AA	24.1%	
5 to 10 Years	224,890	10.9%	A	6.1%	
10 or more Years	1,413,422	68.4%	BBB	0.2%	
Mortgage-backed Securities	234,721	11.4%	NR	0.1%	
Asset-backed Securities	54,914	2.6%		100.0%	
<b>Total <sup>(3)</sup></b>	<b>\$2,066,920</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 \$40.8 million.

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

(3) Excludes stocks of \$9.7 million.

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

(dollars in billions)

	<u>Par Value</u>		<u>Percent</u>	<u>FSA Market Share</u> <sup>(2)</sup>	
	<i>Issued</i>	<i>Insured</i>	<i>Insured</i>	<i>Amount</i>	<i>Percent</i>
3rd Qtr. 2000	\$46.8	\$20.5	43.8%	\$5.0	24.6%
2nd	54.7	20.3	37.1%	4.8	23.3%
1st	40.5	16.8	41.5%	3.7	22.0%
4th Qtr. 1999	52.8	24.7	46.8%	4.5	18.2%
3rd	55.8	26.2	46.9%	7.6	29.0%
2nd	59.3	25.0	42.2%	6.3	25.2%
1st	59.5	29.5	49.6%	5.8	19.7%
1999	227.4	105.4	46.4%	24.2	23.0%
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>3rd 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	5,301	7,292	14,968	19,509
Gross Premiums Written				
Up-Front	30.1	47.7	110.4	116.0
Installments <sup>(1)</sup>	2.2	1.9	7.4	6.6
Total Gross Premiums	32.3	49.6	117.8	122.6
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>34.2</b>	<b>54.2</b>	<b>124.3</b>	<b>125.7</b>
<b>Municipal Secondary</b>				
Gross Par Value Insured	140	599	1,019	824
Gross Premiums Written				
Up-Front	1.6	5.4	9.7	6.3
Installments <sup>(1)</sup>	0.1	0.2	0.3	0.5
Total Gross Premiums	1.7	5.6	10.0	6.8
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>1.6</b>	<b>5.4</b>	<b>9.7</b>	<b>6.3</b>
<b>Asset-Backed</b>				
Gross Par Value Insured	8,818	6,765	24,215	24,322
Gross Premiums Written				
Up-Front	9.8	23.7	16.1	32.1
Installments <sup>(1)</sup>	41.4	33.0	128.7	100.7
Total Gross Premiums	51.2	56.7	144.8	132.8
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>54.3</b>	<b>91.2</b>	<b>187.8</b>	<b>257.9</b>
<b>Total Insurance Written</b>				
Gross Par Value Insured	14,259	14,656	40,202	44,655
Gross Premiums Written				
Up-Front	41.5	76.8	136.2	154.4
Installments <sup>(1)</sup>	43.7	35.1	136.4	107.8
Total Gross Premiums	85.2	111.9	272.6	262.2
<b>Gross Present Value of Premiums Written<sup>(2)</sup></b>	<b>90.1</b>	<b>150.8</b>	<b>321.8</b>	<b>389.9</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 September 30, 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	\$ 6,436	40.3	\$ 4,296	45.1	\$32,530	38.6
Tax-supported bonds	2,186	13.7	1,226	12.9	18,066	21.4
Municipal utility revenue bonds	2,227	13.9	1,092	11.4	12,034	14.3
Health care revenue bonds	726	4.5	234	2.4	5,732	6.8
Housing revenue bonds	1,549	9.7	1,225	12.9	3,767	4.5
Transportation revenue bonds	924	5.8	509	5.3	3,761	4.5
Other municipal bonds	718	4.5	503	5.3	6,367	7.6
Subtotal	14,766	92.4	9,085	95.3	82,257	97.7
<b>International</b>	1,221	7.6	445	4.7	1,978	2.3
<b>Total municipal obligations</b>	<b>15,987</b>	<b>100.0</b>	<b>\$9,530</b>	<b>100.0</b>	<b>\$84,235</b>	<b>100.0</b>
<b>Geographic Distribution</b>						
California	\$ 2,543	15.9	\$ 1,685	17.7	\$12,480	14.8
New York	2,132	13.3	1,018	10.7	7,558	9.0
Pennsylvania	417	2.6	315	3.3	5,492	6.5
Texas	1,061	6.6	698	7.3	5,615	6.7
Florida	767	4.8	555	5.8	4,929	5.9
New Jersey	759	4.8	553	5.8	4,749	5.6
Illinois	978	6.1	673	7.1	4,659	5.5
Massachusetts	237	1.5	160	1.7	2,600	3.1
Michigan	139	0.9	109	1.1	2,563	3.0
Wisconsin	376	2.4	300	3.2	2,398	2.9
Washington	117	0.7	80	0.8	1,735	2.1
All Other U.S. Jurisdictions	5,240	32.8	2,939	30.8	27,479	32.6
International	1,221	7.6	445	4.7	1,978	2.3
<b>Total</b>	<b>\$15,987</b>	<b>100.0</b>	<b>\$9,530</b>	<b>100.0</b>	<b>\$84,235</b>	<b>100.0</b>

<b>Asset-Backed Obligations</b>						
<b>Domestic</b>						
Residential mortgages	\$ 4,328	17.9	\$ 3,695	17.9	\$ 16,565	28.1
Consumer receivables	8,680	35.9	7,593	36.8	15,898	27.0
Pooled corporate obligations	5,088	21.0	4,550	22.0	14,818	25.1
Investor-owned utility obligations	-	0.0	-	0.0	502	0.9
Other asset-backed obligations	349	1.4	341	1.7	1,925	3.3
Subtotal	18,445	76.2	16,179	78.4	49,708	84.4
<b>International</b>	5,770	23.8	4,466	21.6	9,216	15.6
<b>Total asset-backed obligations</b>	<b>\$24,215</b>	<b>100.0</b>	<b>\$20,645</b>	<b>100.0</b>	<b>\$58,924</b>	<b>100.0</b>

<b>Distribution of Insured Portfolio by Rating as of September 30, 2000</b>	<b>Rating<sup>(1)</sup></b>	<b>Percent of Portfolio</b>
	AAA	13.4
	AA	23.9
	A	44.3
	BBB	17.6
	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>Gross</i>	<i>Ceded</i>	<i>Net</i>	<i>Portfolio Run Off<sup>(1)</sup></i>	<i>Ending Net Outstanding</i>
3rd Qtr. 2000	\$8,448	\$1,010	\$7,438	\$(5,016)	\$73,750
2nd	15,350	3,858	11,492	(4,307)	71,328
1st	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>
3rd Qtr. 2000	\$41.2	\$11.7	\$29.5	\$96.5	\$329.5	\$426.0
2nd	61.5	21.1	40.4	114.3	323.4	437.7
1st	42.1	14.5	27.6	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>		
3rd Qtr. 2000	\$9,875	\$4,215	\$5,660	\$(2,304)	\$139,019
2nd	10,926	3,833	7,093	(3,248)	135,663
1st	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>			
3rd Qtr. 2000	\$33.9	\$17.9	\$16.0	\$475.0	\$40.8	\$515.8
2nd	69.1	38.4	30.7	460.5	40.0	500.5
1st	24.8	15.5	9.3	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 September 30, 2000**  
(dollars in millions)

<b>Net Debt Service</b>	<i>Scheduled Amortization</i>	<i>Outstanding</i>
3rd Qtr. 2000		\$73,750
4th	\$5,010	68,740
2001	13,083	55,657
2002	11,130	44,527
2003	10,120	34,407
2004	7,939	26,468
2005-2009	18,214	8,254
2010-2014	5,433	2,821
2015-2019	1,466	1,355
2020+	1,355	
<b>Total</b>	<b>\$73,750</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>
3rd Qtr. 2000	\$96.5			
4th	83.4	\$13.1	\$15.9	\$29.0
2001	69.0	14.4	80.5	94.9
2002	58.0	11.0	64.4	75.4
2003	47.6	10.4	49.8	60.2
2004	38.3	9.3	38.4	47.7
2005-2009	12.7	25.6	103.3	128.9
2010-2014	2.9	9.8	33.7	43.5
2015-2019	1.0	1.9	9.0	10.9
2020+		1.0	3.3	4.3
<b>Total</b>		<b>\$96.5</b>	<b>\$398.3</b>	<b>\$494.8</b>

**Municipal Net Debt Service and Premiums**  
**Amortizations and Ending Balances**  
**As of September 30, 2000**  
(dollars in millions)

<b>Net Debt Service</b>		
	<i>Scheduled Amortization</i>	<i>Outstanding</i>
3rd Qtr. 2000		\$139,019
4th	\$1,836	137,183
2001	7,995	129,188
2002	7,477	121,711
2003	7,632	114,079
2004	7,592	106,487
2005-2009	35,727	70,760
2010-2014	30,514	40,246
2015-2019	21,313	18,933
2020+	18,933	
<b>Total</b>	<b>\$139,019</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>
3rd Qtr. 2000	\$475.0			
4th	461.3	\$13.7	\$1.1	\$14.8
2001	412.0	49.3	4.9	54.2
2002	367.5	44.5	4.3	41.4
2003	327.0	40.5	4.4	44.9
2004	289.9	37.1	4.3	41.4
2005-2009	150.5	139.4	20.5	159.9
2010-2014	67.2	83.3	15.3	98.6
2015-2019	24.5	42.7	11.0	53.7
2020+		24.5	9.4	33.9
<b>Total</b>		<b>\$475.0</b>	<b>\$75.2</b>	<b>\$550.2</b>

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**Quarterly Operating Supplement**  
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