

Quarterly Operating Supplement

December 31, 2000

FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.



FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

QUARTERLY OPERATING SUPPLEMENT

4th 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 (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

Financial Key Lines	4th Qtr 2000	Year to Date 2000	Full Year 1999
Net Income (in millions)	\$ 46.1	\$ 63.3	\$ 125.4
Stockholders' Equity (in millions)	\$1,465.7	\$1,465.7	\$1,252.0
Return on Average Equity	13.2%	4.8%	11.4%
GAAP:			
Loss Ratio ⁽¹⁾	4.2%	4.9%	5.0%
Expense Ratio ⁽¹⁾	36.6%	57.6%	41.7%
Combined Ratio ⁽¹⁾	40.8%	62.5%	46.7%
Effective Tax Rates:			
Net Investment Income	13.3%	13.1%	15.3%
Underwriting and Other Income	35.5%	21.8%	34.8%
Total Income	23.5%	6.1%	23.5%

	4th Qtr 2000	Year to Date 2000	Full Year 1999
Net Income Analysis			
Core Net Income	\$ 48.7	\$ 176.1	\$ 140.0
Refundings, Calls and Other Accelerations	<u>2.1</u>	<u>5.4</u>	<u>6.7</u>
Operating Net Income	50.8	181.5	146.7
Realized Capital Gains (Losses)	1.2	(24.6)	(9.7)
Equity Based Compensation	(5.9)	(72.5)	(11.1)
Other	<u>—</u>	<u>(21.1)</u>	<u>(0.5)</u>
Net Income	\$46.1	\$63.3	\$125.4

Adjusted Book Value	December 31, 2000	December 31, 1999
Components of Adjusted Book Value (in millions):		
Book Value ⁽²⁾	\$1,465.7	\$1,251.0
After-tax value of:		
Net deferred premium revenue, net of DAC	242.8	228.9
Present value of installment premiums	267.7	233.8
Gain on forward shares	<u>0.0</u>	<u>6.1</u>
Adjusted Book Value	\$1,976.2	\$1,719.8

(1) Relates solely to FSA.

(2) Includes the effect of unrealized gains (losses) in the investment portfolio, which was \$70.1 at December 31, 2000 and (\$47.8) at December 31, 1999.

FSA OPERATING EARNINGS ROSE 24% TO \$181.5 MILLION IN 2000

* * *

CORE EARNINGS INCREASED 26% FOR YEAR

* * *

ORIGINATIONS PRODUCED \$448 MILLION OF PV PREMIUMS

Financial Security Assurance Holdings Ltd. (the Company), the holding company for bond insurer Financial Security Assurance Inc. (FSA), achieved growth rates of approximately 26% and 24%, respectively, in core and operating earnings during 2000.

KEY RESULTS

Full Year 2000

- Core earnings reached \$176.0 million, a 25.7% increase over the result in last year's comparable period.
- Operating earnings rose 23.7% to \$181.5 million.
- Net income before merger-related expenses was \$138.8 million, compared with \$125.4 million in 1999. Effects of the merger reduced reported net income by \$75.5 million to \$63.3 million.
- Adjusted book value rose to \$2.0 billion, or \$59.52 per share, at December 31, 2000, reflecting 12.5% growth per share from operations alone over the past 12 months and 18.3% 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 \$448.3 million of present value (PV) premiums, compared with last year's record result of \$517.2 million.

Fourth Quarter 2000

- Core earnings reached \$48.7 million for the quarter, a 22.3% increase over the result in last year's comparable period.
- Operating earnings rose 21.1% to \$50.8 million.
- The Company reported net income of \$46.1 million, compared with \$40.1 million in fourth quarter 1999.
- FSA produced \$126.5 million of (PV) premiums, compared with \$127.3 million in fourth quarter 1999.

"FSA's results were outstanding in 2000," said Robert P. Cochran, chairman and chief executive officer. "We produced a very strong \$448 million of PV premiums, and the business was well balanced across the U.S. municipal, U.S. asset-backed and international markets. We also made great strides in developing new products in affiliation with our parent Dexia. From May through year-end, we completed 14 transactions utilizing the FSA guaranty and Dexia banking capabilities."

"The year's origination results are particularly impressive in light of the decline in U.S. municipal market volume and the generally slow first quarter caused by Y2K concerns," said Mr. Cochran. Anticipated computer problems associated with the year 2000 (Y2K) prompted issuers to close many transactions earlier than planned, which increased premium production in the fourth quarter of 1999 and lessened first quarter 2000 production. Nevertheless, PV premiums for 2000 were only 13% below the record level of 1999. Fourth quarter 2000 PV premiums were \$126.5 million, approximately equal to production in the same quarter of last year.

NEW BUSINESS PRODUCTION

Municipal. In the municipal market, new-issue volume revived somewhat in the fourth quarter but was down significantly for the year. The strong economy created budget surpluses, reducing the need for bond issues to fund capital expenditures, and interest rate conditions discouraged refundings. In this

environment, on a sale-date basis, FSA captured almost 25% of the insured new-issue market in 2000, while maintaining its disciplined approach to credit quality, pricing and return on equity. In the fourth quarter, based on closing dates, FSA insured \$6.7 billion par of U.S. primary and secondary municipal obligations, compared with \$6.1 billion in the prior year's comparable period. FSA's U.S. municipal PV premium originations were \$40.4 million for the quarter, compared with \$52.0 million in the fourth quarter of 1999. For the year, FSA insured \$21.5 billion par of U.S. municipal obligations, compared with \$26.3 billion in the comparable period, producing PV premiums of \$140.1 million, compared with \$183.0 million in the comparable period.

With regard to the California utility situation, FSA has net par insured exposure of \$8.1 million of first mortgage bonds issued by Pacific Gas and Electric (PG&E) and \$5.6 million of first mortgage bonds issued by Southern California Edison. In addition, FSA owns approximately \$2 million of PG&E first mortgage bonds in its investment portfolio.

Asset-backed. Strong collateralized debt obligation (CDO) production and repeat business from consumer and residential issuers drove excellent fourth-quarter and full-year results. Fourth-quarter U.S. asset-backed par originated of \$9.5 billion generated \$61.7 million of PV premiums, compared with \$6.0 billion of par and \$43.6 million of PV premium in the previous year's comparable period. For the year, U.S. asset-backed par volume reached \$28.0 billion and PV premiums totaled \$198.9 million, compared with \$24.8 billion and \$200.4 million, respectively, for 1999.

International. FSA enjoyed an excellent year of growth in Europe, where it guaranteed a number of public-private partnership (PPP) financings in the U.K. infrastructure sector and participated in the robust market for synthetic CDOs. The Company also made progress in the Australian infrastructure and Japanese securitization markets, both of which have high potential for growth. FSA insured \$6.2 billion of par, generating \$24.4 million of PV premiums in the fourth quarter versus \$3.1 billion of par and \$31.7 million of PV premiums in the fourth quarter of 1999. For the year, FSA insured \$13.2 billion of international transactions to generate \$109.3 million of PV premiums versus \$8.7 billion of par and \$133.8 million of PV premiums in 1999.

"We look forward to a very successful year in 2001," said Mr. Cochran. "Our prospects continue to look favorable across both domestic and international markets, and we have only scratched the surface of the potential synergies with Dexia."

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, 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.

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

	<i>Three Months Ended</i>		<i>Year Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2000</u>	<u>1999</u>	<u>2000</u>	<u>1999</u>
Revenues:				
Net premiums written	\$64,590	\$57,837	\$218,138	\$230,435
Increase in deferred premium revenue	<u>(10,391)</u>	<u>(9,647)</u>	<u>(25,989)</u>	<u>(55,476)</u>
Premiums earned	54,199	48,190	192,149	174,959
Net investment income	32,564	25,531	121,144	94,723
Net realized gains (losses)	1,499	2,351	(36,799)	(13,301)
Other income	<u>1,238</u>	<u>243</u>	<u>2,154</u>	<u>1,323</u>
TOTAL REVENUES	<u>89,500</u>	<u>76,315</u>	<u>278,648</u>	<u>257,704</u>
Expenses:				
Losses and loss adjustment expenses	2,264	2,879	9,403	8,829
Interest expense	4,153	4,153	16,614	16,614
Policy acquisition costs	9,166	9,612	37,602	39,809
Merger related expenses	—	—	105,541	—
Other operating expenses	<u>13,311</u>	<u>5,782</u>	<u>40,692</u>	<u>26,429</u>
TOTAL EXPENSES	<u>28,894</u>	<u>22,426</u>	<u>209,852</u>	<u>91,681</u>
Minority interest and equity in earnings of unconsolidated affiliates	<u>(375)</u>	<u>(452)</u>	<u>(1,395)</u>	<u>(2,045)</u>
INCOME BEFORE INCOME TAXES	60,231	53,437	67,401	163,978
Provision for income taxes	<u>14,168</u>	<u>13,368</u>	<u>4,118</u>	<u>38,573</u>
NET INCOME	<u>46,063</u>	<u>40,069</u>	<u>63,283</u>	<u>125,405</u>
Other comprehensive income (loss), net of tax:				
Unrealized gains (losses) on securities:				
Holdings gains (losses) arising during period	53,416	(19,704)	93,316	(95,125)
Less: reclassification adjustment for gains (losses) included in net income	<u>1,156</u>	<u>1,281</u>	<u>(24,558)</u>	<u>(9,668)</u>
Other comprehensive income (loss)	<u>52,260</u>	<u>(20,985)</u>	<u>117,874</u>	<u>(85,457)</u>
COMPREHENSIVE INCOME	<u>\$ 98,323</u>	<u>\$ 19,084</u>	<u>\$ 181,157</u>	<u>\$ 39,948</u>

FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

Consolidated Balance Sheets

(Dollars in thousands, except per share data)

ASSETS	<i>December 31, 2000</i>	<i>December 31, 1999</i>
Bonds at market value (amortized cost of \$1,998,143 and \$1,919,677)	\$2,103,316	\$1,852,669
Equity investments at market value (cost of \$10,006 and \$30,104)	9,747	23,606
Short-term investments	<u>121,788</u>	<u>263,747</u>
Total investments	2,234,851	2,140,022
Cash	9,411	6,284
Deferred acquisition costs	201,136	198,048
Prepaid reinsurance premiums	354,117	285,105
Reinsurance recoverable on unpaid losses	24,617	9,492
Receivable for securities sold	4,611	40,635
Investment in unconsolidated affiliates	57,609	29,709
Other assets	<u>262,342</u>	<u>196,349</u>
TOTAL ASSETS	<u>\$3,148,694</u>	<u>\$2,905,644</u>
LIABILITIES AND MINORITY INTEREST, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY		
Deferred premium revenue	\$ 936,826	\$ 844,146
Losses and loss adjustment expenses	116,336	87,309
Deferred federal income taxes	88,817	43,341
Ceded reinsurance balances payable	48,784	36,387
Payable for securities purchased	4,751	243,519
Notes payable	230,000	230,000
Deferred compensation	90,275	17,260
Minority interest	37,228	32,945
Accrued expenses and other liabilities	<u>129,944</u>	<u>118,053</u>
TOTAL LIABILITIES AND MINORITY INTEREST	<u>1,682,961</u>	<u>1,652,960</u>
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>
REDEEMABLE PREFERRED STOCK		<u>700</u>
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 \$34,818 and \$(25,727)]	70,095	(47,779)
Accumulated earnings	491,824	436,417
Deferred equity compensation	24,004	52,670
Less treasury stock at cost (304,757 and 961,418 shares held)	<u>(24,004)</u>	<u>(26,514)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>1,465,733</u>	<u>1,251,984</u>
TOTAL LIABILITIES AND MINORITY INTEREST, REDEEMABLE PREFERRED STOCK AND SHAREHOLDERS' EQUITY	<u>\$3,148,694</u>	<u>\$2,905,644</u>

Expense Analysis

(dollars in thousands)

2000	<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	\$2,264	\$9,403
Interest	4,154	4,153	4,154	4,153	16,614
Amortization of previously deferred underwriting expenses and reinsurance commissions	9,681	9,759	8,996	9,166	37,602
Gross underwriting and operating expenses	26,717	29,511	27,031	40,203	123,462
Merger related expenses	50,127	55,414	-		105,541
Underwriting expenses deferred	(17,014)	(19,443)	(19,421)	(26,892)	(82,770)
Reinsurance commissions received, net	(7,777)	(16,600)	(8,489)	(9,214)	(42,080)
Reinsurance commissions deferred, net	7,777	16,600	8,489	9,214	42,080
Other operating expenses	59,830	65,482	7,610	13,311	146,233
Total expenses	\$75,446	\$82,471	\$23,041	\$28,894	\$209,852

1999	<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
Total expenses	\$20,766	\$25,511	\$22,978	\$22,426	\$91,681

Effect of Insured Bond Refundings

(dollars in thousands, except per share data)

2000	<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	\$4,422	\$11,714
Less:					
Deferred Acquisition Costs Recognized	804	581	755	1,178	3,318
Net Effect Before Taxes	2,267	1,219	1,666	3,244	8,396
Tax Provision	793	427	583	1,135	2,938
Net Income Effect	1,474	792	1,083	2,109	5,458

1999	<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

Annual Financial and Statistical Data

(dollars in thousands, except per share data)

	<i>Years Ended December 31</i>				
	<i>2000</i>	<i>1999</i>	<i>1998*</i>	<i>1997*</i>	<i>1996*</i>
Income Statement					
Gross premiums written	\$372,325	\$362,671	\$319,266	\$236,391	\$176,965
Net premiums written	218,138	230,435	219,853	172,878	121,000
Net premiums earned	192,149	174,959	137,927	109,511	90,448
Net realized gains (losses)	(36,799)	(13,301)	20,890	11,522	3,189
Net investment income	121,144	94,723	78,823	72,085	65,064
Total revenues	278,648	257,704	238,114	202,421	158,998
Losses and loss adjustment expenses	9,403	8,829	3,949	9,156	6,874
Minority interest and equity earnings	(1,395)	(2,045)	(844)	–	–
Policy acquisition and other expenses	200,449 ⁽²⁾	82,852	76,070	63,717	46,561
Income before income taxes	67,401	163,978	157,251	129,548	105,563
Net income	63,283	125,405	115,356	94,684	78,025
Selected Financial Statistics					
GAAP Basis⁽¹⁾					
Loss ratio (%)	4.9	5.0	2.9	8.4	7.6
Expense ratio (%)	57.6	41.7	46.4	44.5	42.8
Combined ratio (%)	62.5	46.7	49.3	52.9	50.4
SAP Basis⁽¹⁾					
Loss ratio (%)	(0.5)	3.0	(7.4)	5.2	10.6
Expense ratio (%)	61.8	21.5	26.9	27.6	33.7
Combined ratio (%)	61.3	24.5	19.5	32.8	44.3
Balance Sheet					
Total investments	\$2,234,851	\$2,140,022	\$1,874,837	\$1,431,628	\$1,154,416
Prepaid reinsurance premiums	354,117	285,105	217,096	173,123	151,224
Total assets	3,148,694	2,905,644	2,452,266	1,931,164	1,537,742
Unearned premiums	936,826	844,146	721,699	595,196	511,196
Notes payable	230,000	230,000	230,000	130,000	30,000
Total liabilities	1,682,961	1,652,960	1,386,130	1,055,215	736,482
Shareholders' equity	1,465,733	1,251,984	1,065,436	875,249	797,825
Selected Financial Statistics⁽¹⁾					
Gross insurance in force	\$321,753,871	\$271,964,391	\$216,564,000	\$158,020,000	\$125,432,000
Net insurance in force	225,426,403	195,571,240	159,995,000	117,430,000	93,704,000
Qualified statutory capital	1,436,681	1,320,082	1,037,710	781,661	675,944
Policyholders' leverage ratio	157:1	148:1	154:1	150:1	139:1

(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) Includes \$105,541 of merger related costs.

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

Statutory Analytics & Investment Portfolio

December 31, 2000

(dollars in thousands)

Statutory Analytics	<i>4th Qtr 2000</i>	<i>Year-to-date 2000</i>	<i>Full Year 1999</i>
Loss Ratio ⁽¹⁾	2.2%	(0.5)%	3.0%
Expense Ratio ⁽¹⁾	28.1%	61.8%	21.5%
Combined Ratio ⁽¹⁾	30.3%	61.3%	24.5%
		<i>12/31/00</i>	<i>12/31/99</i>
Contingency Reserve		\$ 608,335	\$ 473,387
Capital and Surplus		828,346	846,695
Qualified Statutory Capital		1,436,681	1,320,082
Unearned premium reserve		707,587	669,691
Loss and loss adjustment expense reserves		26,516	22,846
Policyholders' capital and reserves		2,170,784	2,012,619
Net present value of installment premiums		394,271	339,717
Third-party capital support		240,000	240,000
Total claims-paying resources		2,805,055	2,592,336
Net insurance in force (principal & interest)		\$ 225,426,403	\$ 195,571,240
Policyholders' leverage (risk-to-capital ratio) ⁽²⁾		157:1	148:1
Claims-paying ratio ⁽³⁾		80:1	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 ⁽¹⁾</i>	<i>Annualized Income ⁽²⁾</i>
Long-term bonds:					
Tax-exempt	\$1,504,105	\$1,596,977	71.0%	5.74%	\$86,264
Taxable	494,038	506,339	23.3%	7.28%	35,948
Short-term	121,788	121,788	5.7%	6.09%	4,630
Total ⁽³⁾	\$2,119,931	\$2,225,104	100.0%	6.12%	\$126,842
				Quality Distribution of Long-Term Fixed Income Investments	
Maturity	<i>Amortized Cost</i>	<i>% of Amortized Cost</i>			
Within 1 Year	\$ 121,866	5.8%		AAA	69.6%
1 to 5 Years	94,865	4.5%		AA	24.9%
5 to 10 Years	154,535	7.3%		A	5.2%
10 or more Years	1,476,380	69.6%		BBB	0.2%
Mortgage-backed Securities	234,419	11.1%		NR	0.1%
Asset-backed Securities	37,866	1.7%			100.0%
Total ⁽³⁾	\$2,119,931	100.0%			

(1) Estimated yield on assets at end of reporting quarter; short-term investments includes taxable and tax-exempt securities but excludes cash equivalents of \$45.8 million.

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

(3) Excludes stocks of \$9.7 million.

Municipal New-Issue Market Data⁽¹⁾
(dollars in billions)

	<u>Par Value</u>		<u>Percent</u>	<u>FSA Market Share</u> ⁽²⁾	
	<i>Issued</i>	<i>Insured</i>	<i>Insured</i>	<i>Amount</i>	<i>Percent</i>
4th Qtr. 2000	55.3	20.5	37.1%	5.7	27.8%
3rd	48.4	21.2	43.8%	5.1	24.1%
2nd	55.5	20.6	37.1%	4.8	23.3%
1st	40.6	16.8	41.4%	3.9	23.2%
4th Qtr. 1999	52.8	24.6	46.6%	4.5	18.3%
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%
2000	199.8	79.1	39.6%	19.5	24.7%
1999	227.4	105.3	46.3%	24.2	23.0%
1998	286.2	145.1	50.7%	32.0	22.1%
1997	220.6	107.5	48.7%	16.2	15.1%
1996	185.0	85.7	46.3%	11.2	13.1%
1995	160.0	68.5	42.8%	3.3	4.8%
1994	165.0	61.5	37.3%	2.7	4.4%
1993	292.2	107.9	36.9%	7.5	7.0%
1992	234.7	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>4th Quarter</i>		<i>Year-to-Date</i>	
	<i>2000</i>	<i>1999</i>	<i>2000</i>	<i>1999</i>
Municipal New Issue				
Gross Par Value Insured	6,666	5,942	21,634	25,757
Gross Premiums Written				
Up-Front	37.6	49.4	148.0	182.1
Installments ⁽¹⁾	3.1	2.7	10.5	9.3
Total Gross Premiums	40.7	52.1	158.5	191.4
Gross Present Value of Premiums Written⁽²⁾	40.4	50.4	164.7	192.7
Municipal Secondary				
Gross Par Value Insured	147	402	1,166	1,226
Gross Premiums Written				
Up-Front	1.1	3.4	10.8	9.7
Installments ⁽¹⁾	0.1	0.2	0.4	0.7
Total Gross Premiums	1.2	3.6	11.2	10.4
Gross Present Value of Premiums Written⁽²⁾	1.1	3.4	10.8	9.7
Asset-Backed				
Gross Par Value Insured	15,617	8,783	39,832	32,799
Gross Premiums Written				
Up-Front	6.0	7.6	22.1	11.6
Installments ⁽¹⁾	51.8	37.2	180.5	149.3
Total Gross Premiums	57.8	44.8	202.6	160.9
Gross Present Value of Premiums Written⁽²⁾	85.0	73.5	272.8	314.8
Total Insurance Written				
Gross Par Value Insured	22,430	15,127	62,632	59,782
Gross Premiums Written				
Up-Front	44.7	60.4	180.9	203.4
Installments ⁽¹⁾	55.0	40.1	191.4	159.3
Total Gross Premiums	99.7	100.5	372.3	362.7
Gross Present Value of Premiums Written⁽²⁾	126.5	127.3	448.3	517.2

(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 December 31, 2000</i>	
	<i>Gross Amount</i>	<i>%</i>	<i>Net Amount</i>	<i>%</i>	<i>Net Amount</i>	<i>%</i>
Municipal Obligations						
Domestic						
General obligation bonds	\$ 8,067	35.4	\$ 5,399	40.0	\$33,219	38.3
Tax-supported bonds	4,260	18.7	2,327	17.2	18,731	21.6
Municipal utility revenue bonds	3,224	14.1	1,657	12.3	12,343	14.2
Health care revenue bonds	984	4.3	363	2.7	5,686	6.6
Housing revenue bonds	1,918	8.4	1,526	11.3	3,993	4.6
Transportation revenue bonds	1,816	8.0	868	6.4	4,078	4.7
Other municipal bonds	1,187	5.2	814	6.0	6,590	7.6
Subtotal	21,456	94.1	12,954	95.9	84,640	97.6
International	1,344	5.9	560	4.1	2,121	2.4
Total municipal obligations	22,800	100.0	\$13,514	100.0	\$86,761	100.0
Geographic Distribution						
California	\$ 3,287	14.4	\$ 2,319	17.2	\$12,882	14.9
New York	3,570	15.7	1,646	12.2	8,107	9.3
Pennsylvania	717	3.1	516	3.8	5,511	6.4
Texas	2,315	10.2	1,252	9.3	6,062	7.0
Florida	1,216	5.3	886	6.5	5,214	6.0
New Jersey	857	3.8	628	4.6	4,637	5.3
Illinois	1,080	4.7	748	5.5	4,629	5.3
Massachusetts	409	1.8	253	1.9	2,668	3.1
Michigan	228	1.0	175	1.3	2,563	3.0
Wisconsin	505	2.2	332	2.5	2,412	2.8
Washington	373	1.6	217	1.6	1,852	2.1
All Other U.S. Jurisdictions	6,899	30.3	3,982	29.5	28,103	32.4
International	1,344	5.9	560	4.1	2,121	2.4
Total municipal obligations	\$22,800	100.0	\$13,514	100.0	\$86,761	100.0
Asset-Backed Obligations						
Domestic						
Residential mortgages	\$ 5,758	14.4	\$ 4,916	14.3	\$ 16,641	24.7
Consumer receivables	10,761	27.0	9,426	27.5	16,389	24.4
Pooled corporate obligations	11,098	27.9	9,721	28.4	18,777	27.9
Investor-owned utility obligations	-	0.0	-	0.0	492	0.7
Other asset-backed obligations	346	0.9	344	1.0	1,741	2.6
Subtotal	27,963	70.2	24,407	71.2	54,040	80.3
International	11,869	29.8	9,873	28.8	13,219	19.7
Total asset-backed obligations	39,832	100.0	34,280	100.0	67,259	100.0
Total Portfolio	\$62,632		\$47,794		\$154,020	
Distribution of Insured Portfolio by Rating as of December 31, 2000						
	Rating⁽¹⁾	Percent of Portfolio				
	AAA	18.5				
	AA	22.6				
	A	41.5				
	BBB	16.7				
	Other	0.7				
		<u>100.0</u>				
(1) Based upon internal FSA ratings.						

Asset-Backed Debt Service and Premiums

(dollars in millions)

Debt Service

(Principal and Interest)

Insured Debt Service

	<i>Insured Debt Service</i>			<i>Portfolio Run Off⁽¹⁾</i>	<i>Ending Net Outstanding</i>
	<i>Gross</i>	<i>Ceded</i>	<i>Net</i>		
4th Qtr. 2000	\$15,948	\$2,377	\$13,571	\$(4,933)	\$82,388
3rd	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
2000	44,714	8,181	36,533	(19,031)	82,388
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

Premiums (GAAP Basis)

Written Premium

	<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. 2000	\$57.8	\$20.7	\$37.1	\$98.4	\$352.3	\$450.7
3rd	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	44.8	11.6	33.2	93.4	301.7	395.1
3rd	47.3	14.2	33.1	88.9	278.1	367.0
2nd	34.6	10.2	24.4	78.0	272.4	350.4
1st	34.2	9.0	25.2	75.4	212.6	288.0
2000	202.6	68.0	134.6	98.4	352.3	450.7
1999	160.9	45.0	115.9	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)

Debt Service (Principal and Interest)					
<i>Insured Debt Service</i>					
	<i>Gross</i>	<i>Ceded</i>	<i>Net</i>	<i>Portfolio Run Off⁽¹⁾</i>	<i>Ending Net Outstanding</i>
4th Qtr. 2000	\$12,059	\$5,340	\$6,719	\$(2,700)	\$143,038
3rd	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
2000	40,542	16,546	24,086	(11,733)	143,038
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

Premiums (GAAP Basis)						
<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>
4th Qtr. 2000	\$41.9	\$14.4	\$27.5	\$484.3	\$42.0	\$526.3
3rd	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	55.7	31.0	24.7	465.7	38.0	503.7
3rd	64.6	26.8	37.8	461.2	38.5	499.7
2nd	37.4	10.1	27.3	443.0	34.2	477.2
1st	44.1	19.4	24.7	437.0	43.7	480.7
2000	169.7	86.2	83.5	484.3	42.0	526.3
1999	201.8	87.3	114.5	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, 2000**
(dollars in millions)

Net Debt Service	<i>Scheduled Amortization</i>	<i>Outstanding</i>
4th Qtr. 2000		\$82,388
2001	\$15,125	67,263
2002	12,290	54,973
2003	11,408	43,565
2004	9,286	34,279
2005-2009	25,729	8,550
2010-2014	5,761	2,789
2015-2019	1,551	1,238
2020+	1,238	
Total	\$82,388	

Net Premiums	<i>Unearned Premiums</i>	<i>Scheduled Premium Earnings</i>		
		<i>From Unearned Premium Amortization</i>	<i>From Installments</i>	<i>Total</i>
4th	\$98.4			
2001	71.2	27.2	91.2	118.4
2002	59.3	11.9	79.6	91.5
2003	48.5	10.8	60.4	71.2
2004	39.0	9.5	45.9	55.4
2005-2009	12.5	26.5	116.1	142.6
2010-2014	2.0	10.5	34.5	45.0
2015-2019	0.9	1.1	9.0	10.1
2020+		0.9	2.7	3.6
Total		\$98.4	\$439.4	\$537.8

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

Net Debt Service		
	<i>Scheduled Amortization</i>	<i>Outstanding</i>
4th Qtr. 2000		\$143,038
2001	\$8,002	135,036
2002	7,699	127,337
2003	7,805	119,532
2004	7,854	111,678
2005-2009	37,228	74,450
2010-2014	31,865	42,585
2015-2019	22,285	20,300
2020+	20,300	
Total	\$143,038	

Net Premiums				
	<i>Unearned Premiums</i>	<i>Scheduled Premium Earnings</i>		
		<i>From Unearned Premium Amortization</i>	<i>From Installments</i>	<i>Total</i>
4th Qtr. 2000	\$484.3			
2001	432.0	52.3	4.1	56.4
2002	385.6	46.4	4.5	50.9
2003	343.4	42.2	4.6	46.8
2004	304.8	38.6	4.5	43.1
2005-2009	159.4	145.4	21.4	166.8
2010-2014	72.1	87.3	16.1	103.4
2015-2019	26.5	45.6	11.6	57.2
2020+		26.5	10.8	37.3
Total		\$484.3	\$77.6	\$561.9

FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.

Corporate Headquarters

Financial Security Assurance Holdings Ltd.
350 Park Avenue
New York, New York 10022
(212) 826-0100

Investor Relations Contact

Robert Tucker
Director
(212) 339-0861

To order documents, please call (888) 4-AAA-FSA

Corporate Communications Contact

Betsy Castenir
Managing Director
(212) 339-3424

Internet

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