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NEWS RELEASE

FOR IMMEDIATE RELEASE

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FSA 2002 FINANCIAL RESULTS

ORIGINATIONS (PRESENT VALUE)

\$256 Million in Q4 02 (-4% vs. Q4 01)
\$882 Million in 12M 02 (+27% vs. 12M 01)

NET INCOME

\$47 Million in Q4 02 (-18% vs. Q4 01)
\$181 Million in 12M 02 (-14% vs. 12M 01)

New York, New York, February 6, 2003 - Financial Security Assurance Holdings Ltd. (the Company), the holding company for bond insurer Financial Security Assurance Inc. (FSA), reported 2002 net income of \$181.1 million, compared with \$209.5 million in 2001. Operating earnings reached \$215.2 million, 4.9% higher than in 2001. The Company has redefined operating earnings as net income before the effects of mark-to-market adjustments for investment-grade pooled credit default swaps (pooled CDS). Other items previously excluded from operating earnings are included in operating earnings for the periods reported in this release, and operating earnings have been restated for the comparable prior-year periods.

For the fourth quarter of 2002, operating earnings rose 3.2% over last year's fourth quarter result to reach \$58.6 million. Fourth quarter net income was \$47.2 million, compared with \$57.2 million in last year's comparable period. Fourth quarter net income reflected an expense of \$10.1 million (\$7.2 million after taxes) to strengthen the general reserve as a result of credit deterioration and defaults in the collateral backing certain collateralized bond obligations (CBOs). In addition, due to widening insurance premium spreads in the credit default swap market, the Company recorded a mark-to-market charge for pooled CDS of \$16.8 million (\$11.4 million after taxes).

Adjusted book value rose to \$2.7 billion at December 31, 2002. This reflects growth during the past 12 months of 13.9% excluding realized and unrealized capital gains and losses in the investment portfolio and 17.4% including such gains and losses. (Operating earnings and adjusted book value are non-GAAP measures. They are defined under Non-GAAP Terms near the end of this release. Reconciliations to net income and book value, respectively, appear later in this release.)

Robert P. Cochran, chairman and chief executive officer of FSA Holdings and FSA, said: “2002 was a bittersweet year for FSA. With \$882 million of present value (PV) originations, we had our best production year ever, and this continued to drive strong growth in earned premiums. However, our financial results suffered because we took reserves on certain funded collateralized bond obligations (CBOs) and were required, under Statement of Financial Accounting Standards No. 133, to take mark-to-market charges related to pooled credit default swaps. Additionally, in August, we terminated our exposure under a one-of-a-kind “single-name” credit default swap program, which we have previously discussed.”

In mid-2002, FSA undertook an extensive review of its insured collateralized debt obligation (CDO) portfolio, identifying a small group of insured CBOs that were not performing as expected. Under certain assumptions as to future default rates, FSA concluded that the CBO portfolio would be expected to generate present value losses of \$51.5 million in six to 10 years. Based on developments in the fourth quarter, the Company now believes the appropriate loss estimate for the CBO portfolio is \$10.1 million higher than the mid-year estimate, so it has further strengthened reserves in that amount. The CBO portfolio currently contains seven transactions whose underlying quality is below investment grade, which have a net outstanding par amount totaling \$1.4 billion.

Regarding pooled CDS mark-to-market charges, Mr. Cochran said, “As we have said previously, we believe that these high-quality credit exposures do not reflect real economic risk of loss. The losses we are required to record under SFAS No. 133 are expected to be offset eventually by an equal amount of gains as the transactions in the portfolio run to term.”

During the fourth quarter, as previously disclosed, the Company issued \$230 million of 6.25% Notes due 2102 and callable on or after November 26, 2007. The Company used the proceeds to redeem \$130 million of 7.375% Senior Quarterly Income Debt Securities due September 30, 2097, to increase the capital of the Company’s insurance company subsidiaries.

BUSINESS PRODUCTION

New business originated by the operating subsidiaries during the fourth quarter will generate revenue with a present value (PV originations) of \$255.7 million, 3.7% below the record PV originations in the same quarter of 2001. For the year, PV originations increased 26.6% over last year’s comparable result. (The Company has introduced the term “PV originations” because the measure includes the present value of both premiums from insurance operations and future net interest margin from asset management products.)

GROSS PAR INSURED OF NEW ORIGINATIONS

(Dollars in billions)

	<i>Three Months Ended</i>		<i>Twelve Months Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
U.S. Municipal Obligations	\$14.6	\$10.3	\$ 51.6	\$ 36.4
U.S. Asset-Backed Obligations [1]	2.1	25.6	35.6	56.1
International Obligations	6.5	7.2	19.8	21.1
Asset Management Products	<u>1.2</u>	<u>0.4</u>	<u>2.7</u>	<u>0.6</u>
Total	\$24.4	\$43.5	\$109.7	\$114.2

[1] U.S. asset-backed amounts for the fourth quarter of 2001 and full-year 2001 are restated to exclude asset management products.

GROSS PV ORIGINATIONS

(Dollars in millions)

	<i>Three Months Ended</i>		<i>Twelve Months Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
U.S. Municipal Obligations [1]	\$167.1	\$ 64.0	\$420.7	\$222.3
U.S. Asset-Backed Obligations [1][2]	33.0	167.1	196.1	350.1
International Obligations [1]	47.6	31.1	199.3	120.3
Asset Management Products [3]	<u>8.0</u>	<u>3.3</u>	<u>65.7</u>	<u>3.8</u>
Total	\$255.7	\$265.5	\$881.8	\$696.5

[1] Present value of premiums originated (PV premiums)

[2] U.S. asset-backed amounts for the fourth quarter of 2001 and full-year 2001 have been restated to exclude asset management net interest margin.

[3] Present value of future net interest margin originated

Municipal. For the year, new issue volume in the U.S. municipal bond market reached a record \$357.9 billion, and insurance penetration increased to approximately 49% from 46% in the prior year. In this environment, FSA insured approximately 27% of the insured new issues sold during the year. FSA insured a par amount of \$51.6 billion of U.S. primary and secondary municipal obligations with closing dates in 2002, an increase of 41.6% over the amount insured in the prior year. FSA's U.S. municipal PV premiums in 2002 increased 89.2% over PV premiums in 2001. FSA's premiums increased more rapidly than par insured because a smaller proportion of par was generated by general obligations, which tend to have lower premium rates than more complex issues of similar credit quality. Underlying credit quality of new originations was more than 92% Single-A or higher.

For the quarter, FSA's municipal par originated rose 41.6% and PV premiums increased 161.2% over the comparable results for 2001. During the quarter, FSA guaranteed \$1 billion of variable-rate and fixed-rate California Department of Water Resources (DWR) Power Supply Revenue Bonds.

Asset-backed. For the year, the Company's U.S. asset-backed par originated was \$35.6 billion, 36.4% lower than in 2001. Asset-backed PV premiums declined 44.0%. For the fourth quarter, the Company's U.S. asset-backed par originated was \$2.1 billion, compared with \$25.6 billion in the fourth quarter of last year, and asset-backed PV premiums declined 80.2%. The decline in volume reflects FSA's

heightened selectivity in the CDO and consumer receivables sectors during a period of economic weakness.

International. For the year, FSA insured international obligations with an aggregate par amount of \$19.8 billion, a decrease of 6.3%. However, PV premiums rose 65.6% to \$199.3 million because Triple-A and Double-A shadow-rated CDO transactions, which tend to have low premiums relative to par, represented a smaller part of the business mix. FSA insured several transactions in the infrastructure finance sector, including public-private partnership financings such as those under the U.K. Private Finance Initiative. It also guaranteed credit default swaps in the pooled corporate and residential mortgage sectors and completed several funded consumer finance securitizations.

For the fourth quarter, FSA insured \$6.5 billion par of international obligations, generating \$47.6 million of PV premiums, versus \$7.2 billion of par and \$31.1 million of PV premiums in the fourth quarter of 2001. Among other transactions in the fourth quarter, FSA guaranteed a £135.8 million issue in the Artesian Finance program, which uses the FSA guaranty to provide efficient capital market access for regulated U.K. water companies.

Asset Management. The asset management group completed its first full year of operations. In 2002, the present value of future net interest margin from asset management products, including guaranteed investment contracts (GICs), was \$65.7 million and \$8.0 million for the full year and fourth quarter, respectively. Of the \$3.8 million present value of future net interest margin originated in 2001, \$3.3 million was generated in the fourth quarter of that year.

ANALYSIS OF FINANCIAL RESULTS

COMPONENTS OF NET INCOME

(After-tax dollars in millions)

	<i>Three Months Ended</i>		<i>Twelve Months Ended</i>	
	<i>December 31,</i>		<i>December 31,</i>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Net Income	\$47.2	\$57.2	\$181.1	\$209.5
Mark-to-market of pooled CDS [1]	<u>(11.4)</u>	<u>0.5</u>	<u>(34.1)</u>	<u>4.4</u>
Operating Earnings [2]	<u>58.6</u>	<u>56.7</u>	<u>215.2</u>	<u>205.1</u>
Noteworthy Items Included in Operating Earnings:				
Refundings, calls or other accelerations [3]	7.3	2.8	15.4	4.4
Realized capital gains [4]	1.6	0.9	21.2	4.7
Equity-based compensation [4]	(9.1)	(4.9)	(24.2)	(16.4)
General reserve strengthening [4]	(7.2)		(29.3)	
Termination of single-name credit default swap program [4]			(28.3)	

(1) This item pertains to SFAS No. 133 adjustments for FSA-insured credit default swaps that reference pools of financial obligations and are of investment-grade quality.

(2) This definition of operating earnings differs from that used in FSA's financial reporting prior to the fourth quarter of 2002. The amounts for fourth quarter and full year 2001 are therefore restated.

(3) Net of deferred acquisition cost amortization

(4) Excluded from operating earnings under the definition used prior to the fourth quarter of 2002

NET INCOME. For the year, net income declined 13.6% to \$181.1 million. Net income was negatively affected by mark-to-market charges for pooled CDS (\$50.2 million before taxes and \$34.1 million after

taxes). Under Statement of Financial Accounting Standards No. 133 (SFAS No. 133), the Company marks to market certain guaranteed derivatives transactions based on an estimate of fair value derived from current pricing of insurance premiums in the credit default swap market. Fourth quarter net income declined 17.5% to \$47.2 million. Fourth quarter net income was negatively affected by a \$16.8 million pooled CDS mark-to-market charge (\$11.4 million after taxes).

The Company has always included the cost of its equity-based compensation programs in net income.

OPERATING EARNINGS. For the year, operating earnings reached \$215.2 million, an increase of 4.9% over the 2001 result despite charges in the second and fourth quarters to strengthen the general reserve (totaling \$41.1 million before taxes and \$29.3 million after taxes) and a third-quarter charge due to the termination of FSA's exposure under its single-name credit default swap program (\$41.9 million before taxes and \$28.3 million after taxes). After-tax capital gains represented \$21.2 million of operating earnings in 2002, compared with \$4.7 million in 2001.

For the quarter, operating earnings reached \$58.6 million, an increase of 3.2% versus the result in last year's comparable period. Fourth quarter operating earnings were negatively affected by a \$10.1 million reserve-strengthening charge (\$7.2 million after taxes) described earlier in this release. After-tax capital gains represented \$1.6 million of operating earnings in the fourth quarter, compared with \$0.9 million in the fourth quarter of 2001.

GROSS PREMIUMS WRITTEN. For the year, gross premiums written were \$803.7 million, up 65.5% from \$485.6 million in 2001. Gross premiums written for the fourth quarter were \$273.1 million, 91.3% higher than FSA's result in the same period of 2001.

NET PREMIUMS WRITTEN. For the year, net premiums written were \$532.7 million, up 66.7% from \$319.6 million in 2001. Net premiums written for the fourth quarter were \$163.0 million, 82.9% higher than FSA's result in the same period of 2001.

EARNED PREMIUMS. Full-year net premiums earned totaled \$314.9 million, a 36.3% increase. This result includes \$28.0 million of refundings and prepayments, compared with \$9.1 million earned in 2001. For the fourth quarter, total net premiums earned were \$88.0 million, compared with \$65.6 million in last year's comparable period. Fourth quarter refundings and prepayments were \$12.3 million, compared with \$5.8 million in the same period of 2001.

INVESTMENT PORTFOLIO. Net investment income for 2002 was \$139.1 million, an increase of 7.9% over the 2001 result. The increase reflected higher invested balances partially offset by lower reinvestment rates stemming from the current interest rate environment. Capital gains were \$29.2 million in 2002, compared with capital gains of \$7.2 million in 2001. The Company's effective tax rate on investment income (excluding the effects of capital gains and losses) was 10.4% for 2002, compared with 11.0% for the prior year.

Net investment income for the fourth quarter was \$36.2 million, an increase of 8.2% over last year's fourth quarter result. The increase reflected higher invested balances partially offset by lower reinvestment rates available in the current interest rate environment. Capital gains were \$2.4 million in the fourth quarter, compared with capital gains of \$1.5 million in the fourth quarter of 2001. The Company's effective tax rate on investment income (excluding the effects of capital gains and losses) was 9.4% for the fourth quarter, compared with 11.2% for the same period a year earlier.

The Company's investment portfolio totaled \$3.2 billion at December 31, 2002, compared with \$2.6 billion a year earlier. These amounts exclude the GIC portfolio.

EXPENSES AND RESERVES. For the year, policy acquisition and other operating expenses increased to \$112.4 million, or \$30.3 million higher than in 2001. Losses and loss adjustment expenses, net of reinsurance, were \$65.6 million in 2002, consisting of \$41.1 million of general reserve adjustments to reflect additional estimated losses in FSA-insured CDOs, as discussed above and in the Company's second quarter earnings release, and the addition of \$24.5 million to the general reserve based on the methodology the Company applies each quarter. As previously disclosed, beginning in the second quarter of 2002, FSA increased the loss factor used in this calculation to increase the strength of its general reserve. In 2001, losses and loss adjustment expenses, net of reinsurance, were \$12.5 million, reflecting additions to the general reserve. Additions to reserves represent management's estimate of the amount required to cover the present value of the net cost of claims. The Company monitors its reserves on an ongoing basis and periodically adjusts such reserves, upward or downward, based on the Company's actual loss experience, its mix of business, and economic conditions. At December 31, 2002, FSA's general reserve totaled \$89.7 million. During the fourth quarter of 2002, net transfers from the general reserve to case reserves totaled \$33.2 million, primarily for CBOs.

For the quarter, policy acquisition and other operating expenses increased to \$41.2 million, or \$19.1 million higher than in the prior year's fourth quarter. Losses and loss adjustment expenses, net of reinsurance, were \$14.6 million in the fourth quarter, consisting of the \$10.1 million general reserve adjustment to reflect additional estimated losses in FSA-insured CDOs, as discussed above, and a \$4.5 million addition to the general reserve based on the methodology the Company applies each quarter. In the comparable quarter of 2001, losses and loss adjustment expenses, net of reinsurance, were \$3.4 million, reflecting additions to the general reserve.

ADDITIONAL INFORMATION

The Company will post today its current Operating Supplement to its website, www.fsa.com. The Operating Supplement contains additional information about results for the period covered in this release. The Company will also post additional information on its insured securitization program with AmeriCredit Corp. on its website. This information can be found under "Financial Information-Investor Presentations" on FSA's home page.

FSA has received inquiries regarding the performance of its insured AmeriCredit securitization transactions, following AmeriCredit's quarterly earnings announcement disclosing an increase in default frequency and decline in recovery values in its auto loan portfolio. AmeriCredit is the largest independent middle-market auto finance company in North America.

Since 1994, FSA has insured 31 auto-loan securitization transactions sponsored by AmeriCredit. Of these, 16 transactions have paid off completely, and FSA's gross insured par under the program at February 5 was \$9.1 billion, which is currently amortizing at approximately \$400 million per month. Taking into account reinsurance, FSA's net exposure at February 5 was \$7.1 billion.

Surveillance data indicates that the expected lifetime cumulative losses for the 15 outstanding FSA-insured AmeriCredit transactions, taking into account the current negative trend in auto loan defaults and recoveries, confirms that existing cushions and built-in protections continue to provide FSA with a significant margin of safety. FSA has reinsured approximately 70% of the Standard & Poor's credit gap on the program. The credit gap represents Standard & Poor's determination of the additional credit

protection required at inception to enhance an insured risk to a Triple-A level of underlying credit quality.

NON-GAAP TERMS

Management and investors consider the measures listed and defined below to be important in analyzing the financial results of the Company. However, none of these measures are promulgated in accordance with accounting principles generally accepted in the United States of America and should not be considered as substitutes for shareholders' equity, net income, revenues, expenses and gross premiums written.

Operating earnings – Net income before the effects of mark-to-market adjustments under SFAS No. 133 for pooled CDS. For purposes of calculating operating earnings, pooled CDS are defined as FSA-insured credit default swaps that reference pools of financial obligations and require payments by the Company if losses exceed a defined deductible providing an investment-grade level of protection to the Company. Management considers operating earnings a key measure of normal operating results, as the SFAS No. 133 adjustments for each guaranteed credit default swap are expected to sum to zero over the life of the transaction.

Present value originations (PV originations) – For business originated in a given period, the sum of PV premiums (future installment premiums discounted to their present value plus upfront premiums) and the present value of future net interest margin from asset management products, such as guaranteed investment contracts. The Company considers PV originations and PV premiums to be important indicators of a given period's origination activity because a substantial portion of the Company's premiums is collected in installments.

Adjusted book value - Book value plus the after-tax present value of net deferred premium revenue, installment premiums and future net interest margin less deferred expenses. Management and some equity analysts use adjusted book value per common share as a proxy for the Company's intrinsic value, exclusive of franchise value.

RECONCILIATION OF BOOK VALUE TO ADJUSTED BOOK VALUE

(Dollars in millions)

	<i>December 31, <u>2002</u></i>	<i>December 31, <u>2001</u></i>
Book Value (1)	1,868.4	1,635.9
After-tax value of:		
Net deferred premium revenue, net of deferred acquisition cost	407.6	274.0
Present value of installment premiums and future net interest margin	<u>411.3</u>	<u>384.6</u>
Adjusted Book Value	2,687.3	2,294.5

(1) Includes the effect of after-tax unrealized gains in the investment portfolio, which was \$134.7 million at December 31, 2002 and \$63.0 million at December 31, 2001.

FORWARD-LOOKING STATEMENTS

This release includes "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. All statements, other than statements of historical facts, included or referenced in this release that address activities, events or developments that the Company expects or anticipates will or may occur in the future are forward-

looking statements. The words "believe," "intend," "expect," "anticipate," "project," "estimate," "predict" and similar expressions are also intended to identify forward-looking statements. These forward-looking statements include, among others, statements with respect to the Company's: growth in book value, adjusted book value, operating earnings, net income, premium originations or return on equity; business strategy; financial and operating targets or plans; incurred losses and the adequacy of its loss and loss adjustment expense reserves; projections of revenues, income (or loss), earnings (or loss), dividends, market share or other financial forecasts; expansion and growth of the business and operations; and future capital expenditures.

These statements are based on certain assumptions and analyses made by the Company in light of its experience and perception of historical trends, current conditions and expected future developments, as well as other factors believed to be appropriate in the circumstances. The Company cautions that a number of important factors could cause actual results to differ materially from the plans, objectives, expectations, estimates and intentions expressed in its forward-looking statements. These factors include: (1) changes in capital requirements or other criteria of securities rating agencies applicable to financial guaranty insurers in general or to FSA specifically; (2) competitive forces, including the conduct of other financial guaranty insurers in general; (3) changes in domestic or foreign laws or regulations applicable to the Company, its competitors or its clients; (4) changes in accounting principles or practices that may result in a decline in securitization transactions; (5) an economic downturn or other economic conditions (such as a rising interest rate environment) adversely affecting transactions insured by FSA or its investment portfolio; (6) inadequacy of loss reserves established by the Company; (7) temporary or permanent disruptions in cash flow on FSA-insured structured transactions attributable to legal challenges to such structures; (8) downgrade or default of one or more of FSA's reinsurers; (9) the amount and nature of business opportunities that may be presented to the Company; (10) market conditions, including the credit quality and market pricing of securities issued; (11) capacity limitations that may impair investor appetite for FSA-insured obligations; (12) market spreads and pricing on insured credit default swap exposures, which may result in gain or loss due to mark-to-market accounting requirements and (13) other factors, most of which are beyond the Company's control.

Consequently, all of the forward-looking statements made in this document are qualified by these cautionary statements, and there can be no assurance that the actual results or developments anticipated by the Company will be realized or, even if substantially realized, that they will have the expected consequences to, or effects on, the Company's business or operations. In any event, such forward-looking statements made by the Company speak only as of the date on which they are made, and the Company does not undertake any obligation to update or revise such statements as a result of new information, future events or otherwise.

THE COMPANY

Financial Security Assurance Holdings Ltd. (FSA Holdings) is a New York-headquartered holding company whose subsidiaries provide financial guarantees in both the public and private sectors around the world. Its principal operating subsidiary, Financial Security Assurance Inc. (FSA), is a leading guarantor of municipal bonds, infrastructure financings and asset-backed securities. FSA has earned Triple-A ratings, the highest ratings available, from Fitch Ratings, Moody's Investors Service, Inc., Standard & Poor's Ratings Services and Rating and Investment Information, Inc. FSA Holdings is a member of the Dexia group. For additional information, visit www.fsa.com.

**FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.
AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands, except per share data)**

ASSETS	December 31, <u>2002</u>	December 31, <u>2001</u>
Bonds at market value (amortized cost of \$2,615,173 and \$2,236,979)	\$2,829,763	\$2,329,269
Equity investments at market value (cost of \$10,000)		10,070
Short-term investments	375,688	218,727
Guaranteed investment contract bond portfolio at market value (amortized cost of \$1,800,106 and \$428,016)	1,827,543	427,993
Guaranteed investment contract short-term investment portfolio	<u>4,632</u>	<u>228,038</u>
Total investments	5,037,626	3,214,097
Cash	31,368	7,784
Securitized loans at fair value (cost of \$431,718)	437,231	
Securities purchased under agreements to resell	90,000	
Deferred acquisition costs	253,777	240,492
Prepaid reinsurance premiums	557,659	420,798
Reinsurance recoverable on unpaid losses	75,950	28,880
Investment in unconsolidated affiliates	115,833	87,376
Other assets	<u>452,193</u>	<u>309,427</u>
TOTAL ASSETS	<u>\$7,051,637</u>	<u>\$4,308,854</u>

**LIABILITIES AND MINORITY INTEREST AND
SHAREHOLDERS' EQUITY**

Deferred premium revenue	\$ 1,450,211	\$ 1,090,332
Losses and loss adjustment expenses	223,618	114,428
Guaranteed investment contracts	2,473,187	599,975
Deferred federal income taxes	124,310	101,971
Ceded reinsurance balances payable	79,870	34,961
Notes payable	430,000	330,000
Deferred compensation	83,031	95,948
Minority interest	52,841	46,157
Payable for securities purchased	10,490	85,488
Accrued expenses and other liabilities	<u>255,709</u>	<u>173,636</u>
TOTAL LIABILITIES AND MINORITY INTEREST	<u>5,183,267</u>	<u>2,672,896</u>

COMMITMENTS AND CONTINGENCIES

Common stock (200,000,000 shares authorized; 33,517,995 issued; par value of \$.01 per share)	335	335
Additional paid-in capital – common	903,494	903,494
Accumulated other comprehensive income (net of deferred income tax provision of \$66,270 and \$29,394)	134,683	62,966
Accumulated earnings	829,858	669,163
Deferred equity compensation	23,445	23,716
Less treasury stock at cost (297,658 and 301,095 shares held)	<u>(23,445)</u>	<u>(23,716)</u>
TOTAL SHAREHOLDERS' EQUITY	<u>1,868,370</u>	<u>1,635,958</u>
TOTAL LIABILITIES AND MINORITY INTEREST AND SHAREHOLDERS' EQUITY	<u>\$7,051,637</u>	<u>\$4,308,854</u>

**FINANCIAL SECURITY ASSURANCE HOLDINGS LTD.
AND SUBSIDIARIES**

**CONSOLIDATED STATEMENTS OF OPERATIONS
AND COMPREHENSIVE INCOME**
(Dollars in thousands)

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Year Ended</u> <u>December 31,</u>	
	<u>2002</u>	<u>2001</u>	<u>2002</u>	<u>2001</u>
Revenues:				
Net premiums written	<u>\$163,016</u>	<u>\$89,119</u>	<u>\$532,747</u>	<u>\$319,638</u>
Premiums earned	88,042	65,600	314,880	230,999
Net investment income	36,165	33,431	139,120	128,921
Net realized gains	2,444	1,543	29,204	7,183
Guaranteed investment contract net interest income	17,047	1,171	34,834	1,171
Guaranteed investment contract net realized gains (losses)	1,621	(346)	1,675	(346)
Net realized and unrealized gains (losses) on derivative instruments	(15,383)	703	(94,377)	6,742
Other income	<u>1,183</u>	<u>2,611</u>	<u>3,011</u>	<u>3,984</u>
TOTAL REVENUES	<u>131,119</u>	<u>104,713</u>	<u>428,347</u>	<u>378,654</u>
Expenses:				
Losses and loss adjustment expenses	14,618	3,385	65,613	12,497
Interest expense	10,476	4,405	28,098	16,866
Policy acquisition costs	14,924	11,007	54,093	41,375
Guaranteed investment contract net interest expense	17,090	1,060	28,730	1,060
Other operating expenses	<u>26,171</u>	<u>11,102</u>	<u>58,265</u>	<u>40,722</u>
TOTAL EXPENSES	<u>83,279</u>	<u>30,959</u>	<u>234,799</u>	<u>112,520</u>
Minority interest and equity in earnings of unconsolidated affiliates	<u>8,617</u>	<u>450</u>	<u>22,631</u>	<u>3,343</u>
INCOME BEFORE INCOME TAXES	56,457	74,204	216,179	269,477
Benefit (provision) for income taxes	<u>(9,303)</u>	<u>(17,017)</u>	<u>(35,104)</u>	<u>(59,981)</u>
NET INCOME	<u>47,154</u>	<u>57,187</u>	<u>181,075</u>	<u>209,496</u>
Other comprehensive income, net of tax:				
Unrealized gains on securities:				
Holding gains (losses) arising during period	(17,255)	(30,153)	92,905	(2,425)
Less: reclassification adjustment for gains included in net income	<u>1,611</u>	<u>921</u>	<u>21,188</u>	<u>4,704</u>
Other comprehensive income (loss)	<u>(18,866)</u>	<u>(31,074)</u>	<u>71,717</u>	<u>(7,129)</u>
COMPREHENSIVE INCOME	<u>\$28,288</u>	<u>\$26,113</u>	<u>\$252,792</u>	<u>\$202,367</u>