

# THIRD QUARTER 2006 OPERATING SUPPLEMENT



Fundamental strength in triple-A rated financial guarantee insurance and reinsurance

## Security Capital Assurance Ltd

### Certain Definitions

<b>Adjusted book value<sup>1</sup> (ABV)</b>	Shareholders' equity (book value) plus the deferred premium, net of prepaid reinsurance premiums and deferred acquisition costs plus NPVFIP (see below), discounted at 7%.
<b>Adjusted gross premium<sup>1</sup> (AGP)</b>	The sum of: (i) upfront premiums written in such period, (ii) current installment premiums due on business written in such period and (iii) expected future installment premiums on contracts written during such period that remain in force and for which there is a binding obligation on the part of the insured to pay the future installments, discounted at 7%.
<b>Adjusted net premium<sup>1</sup> (ANP)</b>	The sum of net upfront premiums and ceding commissions, plus the net present value of net future installment premiums and ceding commissions written on insurance policies and structured credit derivatives during the relevant reporting period discounted at 7%.
<b>Core income</b>	Operating income (see below) excluding the impact of refundings.
<b>Gross par outstanding</b>	Aggregate principal value of obligations insured at the end of the reporting period.
<b>Gross par written</b>	Total principal value of obligations insured during reported the period.
<b>Gross principal and interest outstanding</b>	Aggregate principal value of obligations insured at the end of reporting period including all future interest payable on obligations.
<b>Net par outstanding</b>	Aggregate principal value of obligations insured at the end of the reporting period, reduced by cessions to reinsurers.
<b>Net present value of future installment premium<sup>1</sup> (NPVFIP)</b>	Estimated installment premiums written on insurance policies and structured credit derivatives anticipated to be earned in future periods on policies in force, reduced by planned cessions to reinsurers, plus associated ceding commissions received from reinsurers, discounted at 7%. NPVFIP is a management estimate which can be negatively affected by prepayments, early terminations, credit losses or other factors.
<b>Net principal and interest outstanding</b>	Aggregate principal value of obligations insured at the end of the reporting period including all future interest payable on obligations, reduced by cessions to reinsurers.
<b>Operating income</b>	Net income excluding realized gains (losses) on investments and realized and unrealized gains (losses) on credit derivatives.
<b>Present value of future installment premium<sup>1</sup> (PVFIP)</b>	Expected future installment premiums discounted at 7% on business written during the reporting period.

#### Notes:

<sup>1</sup>Includes certain management estimates.

<sup>2</sup>This supplement may include forward-looking statements, both with respect to us and our industry, that reflect our current views with respect to future events and financial performance. Statements that include the words "expect," "intend," "plan," "believe," "project," "anticipate," "will," "may" and similar statements of a future or forward-looking nature identify forward-looking statements. All forward-looking statements address matters that involve risks and uncertainties. Accordingly, there are or will be important factors that could cause actual results to differ materially from those indicated in such statements.

<sup>3</sup>Numbers throughout the supplement may not add due to rounding.

**Security Capital Assurance Ltd**  
**Annual Financial and Statistical Data**  
(U.S. dollars in millions, except share data)

	Year Ended		
	12/31/2005	12/31/2004	12/31/2003
<b>Summary Income Statement Data:</b>			
Adjusted gross premiums	\$ 396	\$ 295	\$ 360
Total premiums written	285	277	319
Net premiums earned	152	116	103
Net investment income	51	36	23
Net losses and loss adjustment expenses	26	21	20
Acquisition and operating expenses	80	67	59
Insurance Segment AGP	342	267	307
Reinsurance Segment AGP	54	28	53
Net income per diluted share <sup>1</sup>	\$ 1.74	\$ 1.28	\$ 1.33
Net income per diluted share growth rate	35.9%	-3.8%	
Operating return on equity	10.7%	6.5%	7.8%
Common dividends per diluted share	-	-	-

**U.S. GAAP Financial Ratios:**

Loss and loss expense ratio	17.1%	18.3%	19.4%
Underwriting expense ratio	52.6%	57.3%	56.8%
Combined ratio	69.7%	75.6%	76.2%

	As of		
	12/31/2005	12/31/2004	12/31/2003
<b>Summary Balance Sheet Data:</b>			
Investments	\$ 1,364	\$ 1,157	\$ 833
Total assets	1,684	1,472	1,138
Deferred premium revenue	593	487	386
Gross unpaid losses and loss adjustment expenses	147	116	47
Case	69	51	5
Unallocated	78	65	42
Net unpaid case losses and loss adjustment expenses	17	5	5
Long-term debt	-	-	-
Total shareholders' equity	868	805	622
Common shares outstanding <sup>1</sup>	46,127,245	46,127,245	46,127,245
Adjusted book value per diluted share <sup>1</sup>	\$ 35.73	\$ 31.62	\$ 23.99

**Statutory Data:**

Qualified statutory capital	\$ 892	\$ 820	\$ 642
Deferred premium revenue	427	348	227
Net losses and loss adjustment expense reserves	72	54	28
Policyholders' reserves	1,391	1,222	898
Soft capital	200	200	-
NPVFIP	358	303	251
Total claims-paying resources	\$ 1,949	\$ 1,726	\$ 1,149
Net par outstanding	\$ 81,891	\$ 66,934	\$ 42,833
Net principal and interest outstanding	121,898	97,301	62,577

**Note:**

<sup>1</sup>Based on 46,127,245 shares outstanding immediately prior to our initial public offering.

## Security Capital Assurance Ltd

### Return on Equity

(Unaudited)

Period Ended	Reported <sup>1</sup>	Operating <sup>2</sup>
Nine months ended 9/30/2006	9.7%	12.5%
Six months ended 6/30/2006	11.6%	16.0%
Three months ended 3/31/2006	9.8%	9.5%
Year ended 12/31/05	9.5%	10.7%
Year ended 12/31/04	8.3%	6.5%
Year ended 12/31/03	11.4%	7.8%

#### Notes:

<sup>1</sup>Annualized net income divided by average shareholders' equity less OCI.

<sup>2</sup>Annualized operating income divided by average shareholders' equity less OCI.

**Security Capital Assurance Ltd**  
**Segment Consolidation**  
(Unaudited)  
(U.S. dollars in millions)

	Nine Months Ended 9/30/2006			Nine Months Ended 9/30/2005		
	Financial	Financial	Total	Financial	Financial	Total
	Guarantee Insurance	Guarantee Reinsurance		Guarantee Insurance	Guarantee Reinsurance	
<b>AGP</b>						
U.S. public finance	\$ 125.9	\$ 1.9	\$ 127.8	\$ 75.2	\$ 1.2	\$ 76.4
U.S. structured finance	99.2	-	99.2	69.3	25.8	95.2
International	102.5	29.3	131.8	87.8	26.8	114.6
Total AGP	\$ 327.6	\$ 31.3	\$ 358.9	\$ 232.3	\$ 53.9	\$ 286.2
<b>Income statement:</b>						
Gross written premiums	\$ 235.2	\$ -	\$ 235.2	\$ 179.8	\$ -	\$ 179.8
Reinsurance premiums assumed	-	40.2	40.2	-	37.1	37.1
Total premiums written	235.2	40.2	275.4	179.8	37.1	216.9
Ceded premiums	1.2	-	1.2	(29.3)	-	(29.3)
Net premiums written	236.4	40.2	276.6	150.5	37.1	187.5
Change in net deferred premium revenue	(118.3)	(19.5)	(137.7)	(67.4)	(13.3)	(80.7)
Net premiums earned	118.1	20.7	138.8	83.0	23.8	106.8
Fee income and other	2.3	-	2.3	0.8	-	0.8
Net losses and loss adjustment expenses	9.1	2.2	11.3	21.8	(1.8)	20.0
Acquisition costs, net	8.6	4.5	13.0	3.7	5.7	9.3
Operating expenses	46.8	5.9	52.7	44.0	6.0	50.0
Underwriting income	\$ 55.9	\$ 8.1	\$ 64.0	\$ 14.3	\$ 13.9	\$ 28.2
Loss and loss expense ratio	7.7%	10.5%	8.2%	26.3%	-7.5%	18.8%
Underwriting expense ratio	46.9%	50.3%	47.4%	57.4%	49.0%	55.5%
Combined ratio	54.6%	60.8%	55.5%	83.7%	41.5%	74.3%

	Three Months Ended 9/30/2006			Three Months Ended 9/30/2005		
	Financial	Financial	Total	Financial	Financial	Total
	Guarantee Insurance	Guarantee Reinsurance		Guarantee Insurance	Guarantee Reinsurance	
<b>AGP</b>						
U.S. public finance	\$ 17.0	\$ 0.4	\$ 17.5	\$ 26.2	\$ -	\$ 26.2
U.S. structured finance	39.6	-	39.6	24.3	25.8	50.1
International	23.2	10.9	34.2	14.5	12.8	27.3
Total AGP	\$ 80.0	\$ 11.3	\$ 91.3	\$ 64.9	\$ 38.6	\$ 103.5
<b>Income statement:</b>						
Gross written premiums	\$ 65.1	\$ -	\$ 65.1	\$ 63.8	\$ -	\$ 63.8
Reinsurance premiums assumed	-	20.5	20.5	-	19.2	19.2
Total premiums written	65.1	20.5	85.6	63.8	19.2	83.0
Ceded premiums	14.9	-	14.9	(9.4)	-	(9.4)
Net premiums written	80.0	20.5	100.5	54.3	19.2	73.5
Change in net deferred premium revenue	(41.6)	(13.5)	(55.0)	(22.2)	(10.3)	(32.4)
Net premiums earned	38.4	7.0	45.5	32.2	9.0	41.1
Fee income and other	0.1	-	0.1	-	-	-
Net losses and loss adjustment expenses	4.3	0.7	5.0	1.9	(0.8)	1.1
Acquisition costs, net	4.2	1.6	5.8	1.4	1.8	3.2
Operating expenses	16.7	1.4	18.1	15.0	1.7	16.7
Underwriting income	\$ 13.2	\$ 3.3	\$ 16.6	\$ 13.9	\$ 6.3	\$ 20.1
Loss and loss expense ratio	11.2%	9.9%	11.0%	5.8%	-8.7%	2.7%
Underwriting expense ratio	54.5%	42.6%	52.7%	51.1%	38.9%	48.4%
Combined ratio	65.7%	52.4%	63.7%	56.9%	30.2%	51.1%

**Security Capital Assurance Ltd**  
**Summary Financial Information - U.S. GAAP Basis**  
(Unaudited)  
(U.S. dollars in millions except share data)

	As of	
	9/30/2006 <sup>1</sup>	12/31/2005 <sup>2</sup>

**Per Diluted Shares Outstanding**

Book value	\$ 20.54	\$ 18.81
Deferred premium revenue	10.43	12.20
Prepaid reinsurance premiums	0.72	1.44
Deferred acquisition costs	<u>1.26</u>	<u>1.23</u>
Net deferred premium revenue	8.45	9.54
NPVFIP	<u>6.88</u>	<u>7.38</u>
Adjusted book value	<u>\$ 35.87</u>	<u>\$ 35.73</u>

**Common Shares Outstanding**

Actual	64,136,364	46,127,245
Diluted <sup>3</sup>	64,636,792	46,127,245

	Three Months Ended		Nine Months Ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005

**Common Shares Outstanding**

Weighted Average Basic	58,068,074	46,127,245	50,151,261	46,127,245
Weighted Average Diluted	58,094,902	46,127,245	50,160,203	46,127,245

**Net Income Per Common Share**

Basic	\$ 0.49	\$ 0.68	\$ 1.63	\$ 1.16
Diluted	0.49	0.68	1.63	1.16

**Dividends Per Diluted Common Share**

Declared	\$ -	\$ -	\$ -	\$ -
Paid	-	-	-	-

**Notes:**

<sup>1</sup>Based on the total common shares issued and outstanding and restricted shares outstanding at the end of the period.

<sup>2</sup>Based on 46,127,245 common shares outstanding immediately prior to our initial public offering.

<sup>3</sup>Based on the number of common shares outstanding at the end of the period plus all outstanding restricted shares.

**Security Capital Assurance Ltd**  
**Interim Condensed Consolidated Statements of Operations**

(Unaudited)

(U.S. dollars in thousands)

	Three Months Ended		Nine Months Ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005
<b>Revenues</b>				
Gross premiums written	\$ 65,081	\$ 63,757	\$ 235,212	\$ 179,812
Reinsurance premiums assumed	<u>20,489</u>	<u>19,222</u>	<u>40,184</u>	<u>37,073</u>
Total premiums written	85,570	82,979	275,396	216,885
Ceded premiums	<u>14,908</u>	<u>(9,435)</u>	<u>1,156</u>	<u>(29,336)</u>
Net premiums written	100,478	73,544	276,552	187,549
Change in net deferred premium revenue	<u>(55,023)</u>	<u>(32,408)</u>	<u>(137,743)</u>	<u>(80,718)</u>
Net premiums earned	45,455	41,136	138,809	106,831
Net investment income	21,835	13,259	53,026	36,829
Net realized (losses) on investments	(156)	(768)	(16,556)	(2,139)
Net realized and unrealized (losses) on credit derivatives	(3,216)	(1,919)	(6,765)	(4,214)
Fee income and other	<u>59</u>	<u>-</u>	<u>2,290</u>	<u>750</u>
Total revenues	\$ 63,977	\$ 51,708	\$ 170,804	\$ 138,057
<b>Expenses</b>				
Net losses and loss adjustment expenses	4,994	1,095	11,323	20,044
Acquisition costs, net	5,824	3,235	13,048	9,320
Operating expenses	<u>20,861</u>	<u>16,686</u>	<u>55,448</u>	<u>50,015</u>
Total expenses	<u>31,679</u>	<u>21,016</u>	<u>79,819</u>	<u>79,379</u>
Income before income tax and minority interest	32,298	30,692	90,985	58,678
Income tax expense (benefit)	<u>2,747</u>	<u>(632)</u>	<u>2,559</u>	<u>(1,655)</u>
Income before minority interest	29,551	31,324	88,426	60,333
Minority interest	<u>1,139</u>	<u>(49)</u>	<u>6,877</u>	<u>6,902</u>
Net income	\$ 28,412	\$ 31,373	\$ 81,549	\$ 53,431

**Security Capital Assurance Ltd**  
**Interim Condensed Consolidated Balance Sheets**  
(Unaudited)  
(U.S. dollars in thousands)

	<b>As of</b>	
	<b>9/30/2006</b>	<b>12/31/2005</b>
<b>Assets</b>		
Investments		
Debt securities available for sale, at fair value	\$ 1,676,940	\$ 1,316,029
Short-term investments, at fair value	193,196	30,811
Other invested assets	-	17,621
Total investments	1,870,136	1,364,461
Cash and cash equivalents	218,317	54,593
Accrued investment income	13,477	11,847
Deferred acquisition costs	85,606	59,592
Prepaid reinsurance premiums	48,917	69,873
Premiums receivable	15,224	7,770
Reinsurance balances recoverable on unpaid losses	70,310	69,217
Intangible assets - acquired licenses	11,529	11,529
Deferred income tax asset	18,059	18,845
Other assets	23,381	16,588
Total assets	<u>\$ 2,374,956</u>	<u>\$ 1,684,315</u>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities		
Unpaid losses and loss adjustment expenses	\$ 156,650	\$ 147,368
Deferred premium revenue	709,447	592,585
Reinsurance premiums payable	9,526	310
Payable for investments purchased	66,452	-
Accounts payable, accrued expenses and other liabilities	47,708	23,252
Dividend payable	1,139	1,445
Current income tax payable	2,609	1,023
Total liabilities	993,531	765,983
Minority interest - redeemable preferred shares of subsidiary	54,016	50,518
Shareholders' Equity		
Common stock	641	461
Additional paid-in capital	981,165	605,951
Retained earnings	363,258	281,709
Accumulated other comprehensive income	(17,655)	(20,307)
Total shareholders' equity	<u>1,327,409</u>	<u>867,814</u>
Total liabilities and shareholders' equity	<u>\$ 2,374,956</u>	<u>\$ 1,684,315</u>



**Security Capital Assurance Ltd**  
**Investment Portfolio**

As of September 30, 2006  
(U.S. dollars in thousands)

Distribution by Security Type	Market Value	% of Market Value	Amortized Cost
<b>Fixed-Maturity Securities:</b>			
Mortgage and asset-backed securities	\$ 984,487	48.7%	\$ 991,670
U.S. Government and government agencies Corporate	332,856	16.5%	337,091
	345,842	17.1%	350,555
Non-U.S. sovereign government	10,025	0.5%	10,141
U.S. states and political subdivisions of the states	3,729	0.2%	3,755
Total fixed maturities	<u>1,676,940</u>	<u>89.7%</u>	<u>1,693,212</u>
Short-term investments			
Cash and cash equivalents (net of payable for investments purchased)	151,865	7.5%	151,865
Short-term investments	<u>193,196</u>	<u>9.6%</u>	<u>194,580</u>
Total	<u>\$ 2,022,001</u>	<u>100.0%</u>	<u>\$ 2,039,657</u>

Quality Distribution	Market Value	% of Market Value
AAA	\$ 1,544,386	76.4%
AA	253,220	12.5%
A	222,907	11.0%
BBB	11	0.0%
BB & below	-	0.0%
Not Rated	1,477	0.1%
Total	<u>\$ 2,022,001</u>	<u>100.0%</u>
Average credit quality		AA+

Maturity	Market Value	% of Market Value
Within 1 Year	\$ 345,061	17.1%
1 to 5 Years	307,331	15.2%
5 to 10 Years	349,039	17.3%
Due after 10 Years	39,520	2.0%
Mortgage and asset-backed securities	981,049	48.5%
Total	<u>\$ 2,022,001</u>	<u>100.0%</u>

**Yield to Maturity:** 5.2%  
**Duration:** 3.2 years



**Security Capital Assurance Ltd**  
**Unpaid Losses and Loss Adjustment Expenses**  
(U.S. dollars in thousands)

	Year Ended		Three Months Ended		Six Months Ended		Nine Months Ended	
	12/31/2005		3/31/2006		6/30/2006		9/30/2006	
	Case Reserves	Unallocated Reserves	Case Reserves	Unallocated Reserves	Case Reserves	Unallocated Reserves	Case Reserves	Unallocated Reserves
	(Unaudited)		(Unaudited)		(Unaudited)		(Unaudited)	
Gross unpaid losses and loss expenses at beginning of year	\$ 50,771	\$ 64,963	\$ 69,382	\$ 77,986	\$ 69,382	\$ 77,986	\$ 69,382	\$ 77,986
Unpaid losses and loss expenses recoverable	(43,407)	(17,507)	(52,316)	(16,901)	(52,316)	(16,901)	(52,316)	(16,901)
Net unpaid losses and loss expense at beginning of year	7,364	47,456	17,066	61,085	17,066	61,085	17,066	61,085
Increase (decrease) in net losses and loss expenses incurred in respect of losses incurred in:								
Current year	12,392	13,629	-	2,465	-	5,077	-	9,935
Prior years	-	-	984	-	1,252	-	1,388	-
Less net losses and loss expenses paid	(2,690)	-	(660)	-	(1,563)	-	(3,134)	-
Net unpaid losses and loss expense at end of period	17,066	61,085	17,390	63,550	16,755	66,162	15,320	71,020
Unpaid losses and loss expenses recoverable	52,316	16,901	52,316	17,671	52,345	18,117	52,745	17,565
Gross unpaid losses and loss expenses at end of period	\$ 69,382	\$ 77,986	\$ 69,706	\$ 81,221	\$ 69,100	\$ 84,279	\$ 68,065	\$ 88,585
Net losses and loss expenses paid	2,690		660		1,563		3,134	
Net premiums earned	151,839		37,813		93,354		138,809	
Ratio of net losses and loss expenses paid to premiums earned	1.8%		1.7%		1.7%		2.3%	

## Security Capital Assurance Ltd

### Net Premiums Earned

(Unaudited)

(U.S. dollars in thousands, except per share data)

Net Premiums Earned	Three Months Ended		Nine Months Ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005
<b>Public Finance</b>				
Up-front premiums earned	\$ 8,497	\$ 9,376	\$ 38,798	\$ 21,091
Installment premiums earned	445	(27)	671	90
Total public finance premiums earned	<u>8,942</u>	<u>9,349</u>	<u>39,469</u>	<u>21,182</u>
<b>Structured Finance</b>				
Up-front premiums earned	1,473	1,632	5,531	5,336
Installment premiums earned	<u>16,848</u>	<u>16,983</u>	<u>46,868</u>	<u>48,378</u>
Total structured finance premiums earned	<u>18,320</u>	<u>18,615</u>	<u>52,399</u>	<u>53,714</u>
<b>International Finance</b>				
Up-front premiums earned	3,876	3,017	9,070	8,073
Installment premiums earned	<u>14,316</u>	<u>10,154</u>	<u>37,870</u>	<u>23,861</u>
Total international finance premiums earned	<u>18,193</u>	<u>13,171</u>	<u>46,940</u>	<u>31,935</u>
Net premiums earned	<u>\$ 45,455</u>	<u>\$ 41,136</u>	<u>\$ 138,809</u>	<u>\$ 106,831</u>

Effect of Refundings, Calls and Other Accelerations	Three Months Ended		Nine Months Ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005
Earned premium recognized from refundings, calls and other accelerations	\$ 400	\$ 4,100	\$ 25,600	\$ 4,300
Net income effect	274	3,470	22,742	3,702
Net income per diluted share effect	\$ 0.00	\$ 0.08	\$ 0.45	\$ 0.08

**Security Capital Assurance Ltd**  
**Financial Guarantee Production - Current Quarter**  
(Unaudited)  
(U.S. dollars in millions)

	9/30/2006		9/30/2005		Three Months Ended		9/30/2006		9/30/2005	
	Financial Guarantee Insurance		Financial Guarantee Reinsurance		Consolidated FG					
<b>Public Finance</b>										
Up-front premium written / assumed	\$ 26.0	\$ 30.8	\$ 0.4	\$ -	\$ 26.4	\$ 30.8				
Installment premium written / assumed	4.3	0.0	-	-	4.3	0.0				
Total premium written / assumed	30.2	30.9	0.4	-	30.6	30.9				
Adjusted gross premium	17.0	26.2	0.4	-	17.5	26.2				
<b>Structured Finance</b>										
Up-front premium written / assumed	1.8	1.2	-	-	1.8	1.2				
Installment premium written / assumed	16.0	16.3	1.9	12.1	17.9	28.4				
Total premium written / assumed	17.8	17.5	1.9	12.1	19.7	29.6				
Adjusted gross premium	39.6	24.3	-	25.8	39.6	50.1				
<b>International Finance</b>										
Up-front premium written / assumed	4.5	4.1	14.4	4.2	18.9	8.4				
Installment premium written / assumed	12.6	11.3	3.7	2.9	16.3	14.2				
Total premium written / assumed	17.0	15.4	18.2	7.1	35.2	22.5				
Adjusted gross premium	23.2	14.5	10.9	12.8	34.2	27.3				
<b>Grand Total</b>										
Up-front premium written / assumed	32.2	36.1	14.8	4.2	47.1	40.3				
Installment premium written / assumed	32.9	27.6	5.6	15.0	38.5	42.6				
Total premium written / assumed	\$ 65.1	\$ 63.8	\$ 20.5	\$ 19.2	\$ 85.6	\$ 83.0				
Adjusted gross premium	\$ 79.9	\$ 64.9	\$ 11.4	\$ 38.6	\$ 91.3	\$ 103.5				

**Security Capital Assurance Ltd**  
**Financial Guarantee Production - Year to Date**  
(Unaudited)  
(U.S. dollars in millions)

	9/30/2006		9/30/2005		Nine Months Ended		9/30/2006		9/30/2005	
	Financial Guarantee Insurance		Financial Guarantee Reinsurance		Consolidated FG					
<b>Public Finance</b>										
Up-front premium written / assumed	\$ 99.9	\$ 76.5	\$ 0.7	\$ 1.4	\$ 100.6	\$ 77.9				
Installment premium written / assumed	<u>4.3</u>	<u>0.2</u>	<u>-</u>	<u>-</u>	<u>4.3</u>	<u>0.2</u>				
Total premium written / assumed	104.1	76.7	0.7	1.4	104.8	78.1				
Adjusted gross premium	125.9	75.2	1.9	1.2	127.8	76.4				
<b>Structured Finance</b>										
Up-front premium written / assumed	8.2	3.8	-	(0.1)	8.2	3.7				
Installment premium written / assumed	<u>46.3</u>	<u>46.9</u>	<u>6.7</u>	<u>21.0</u>	<u>53.0</u>	<u>67.9</u>				
Total premium written / assumed	54.5	50.7	6.7	20.9	61.2	71.7				
Adjusted gross premium	99.2	69.3	-	25.8	99.2	95.2				
<b>International Finance</b>										
Up-front premium written / assumed	43.2	23.9	22.2	7.6	65.3	31.5				
Installment premium written / assumed	<u>33.4</u>	<u>28.5</u>	<u>10.6</u>	<u>7.1</u>	<u>44.0</u>	<u>35.6</u>				
Total premium written / assumed	76.6	52.4	32.7	14.8	109.3	67.2				
Adjusted gross premium	102.5	87.8	29.3	26.8	131.8	114.6				
<b>Grand Total</b>										
Up-front premium written / assumed	151.3	104.2	22.9	8.9	174.2	113.1				
Installment premium written / assumed	<u>83.9</u>	<u>75.6</u>	<u>17.3</u>	<u>28.2</u>	<u>101.2</u>	<u>103.8</u>				
Total premium written / assumed	\$ 235.2	\$ 179.8	\$ 40.2	\$ 37.1	\$ 275.4	\$ 216.9				
Adjusted gross premium	\$ 327.6	\$ 232.3	\$ 31.3	\$ 53.9	\$ 358.9	\$ 286.2				

**Security Capital Assurance Ltd**  
**Public Finance New Issuance**  
(U.S. dollars in millions)

	Total New Issue Market Par Value			Par Value Insured by XLCA	
	Issued <sup>1</sup>	Insured <sup>1</sup>	Insured Percent	Insured <sup>1</sup>	Market Share Percent
2006 By Quarter					
Third	\$ 87,026	\$ 41,553	47.7%	\$ 3,110	7.5%
Second	108,879	50,485	46.4%	5,018	9.9%
First	69,698	37,314	53.5%	3,986	10.7%
2005 By Quarter					
Fourth	93,147	44,671	48.0%	2,109	4.7%
Third	100,193	50,482	50.4%	3,404	6.7%
Second	111,460	65,020	58.3%	3,726	5.7%
First	98,328	58,580	59.6%	2,764	4.7%
Full Year and Year-to-Date					
Year-to-date 2006	265,604	129,352	48.7%	12,114	9.4%
2005	403,128	218,753	54.3%	12,004	5.5%
2004	357,732	195,422	54.6%	9,816	5.0%
2003	379,711	189,709	50.0%	9,734	5.1%

**Notes:**

<sup>1</sup>Source of data is Thomson Financial as reported by The Bond Buyer.

## Security Capital Assurance

### Debt Service and Premium Amortization

(U.S. dollars in millions)

Debt Service (Principal and Interest)	Scheduled Net Debt Service Amortization	Principal & Interest Outstanding
		\$ 166,469
4th quarter 2006	3,575	162,894
2007	12,755	150,139
2008	11,692	138,447
2009	9,253	129,194
2010	8,484	120,710
2011-2015	39,923	80,786
2016-2020	23,426	57,360
2021-2025	19,629	37,731
2026 and Thereafter	37,732	(0)
	<u>\$ 166,469</u>	

(U.S. dollars in thousands)

Net Premium Amortization	U.S. GAAP Deferred Premium <sup>1</sup>	Scheduled Amortization of Deferred Premium <sup>1</sup>	Scheduled Installment Premiums Earned	Scheduled Net Premiums Earned
	\$ 660,530			
4th quarter 2006	644,024	\$ 16,506	\$ 28,347	\$ 44,852
2007	584,310	59,714	102,032	161,746
2008	528,447	55,863	86,082	141,946
2009	476,960	51,487	75,359	126,846
2010	440,000	36,960	88,381	125,341
2011-2015	256,042	183,959	193,785	377,743
2016-2020	126,235	129,806	103,596	233,402
2021-2025	33,923	92,313	66,796	159,109
2026 and Thereafter	0	33,922	194,700	228,623
		<u>\$ 660,530</u>	<u>\$ 939,078</u>	<u>\$ 1,599,608</u>

**Note:**

<sup>1</sup>Net of prepaid reinsurance premiums



**Security Capital Assurance Ltd**  
**Insured Portfolio - Insurance Segment Par Outstanding**  
(U.S. dollars in millions)

	As of			As of		
	12/31/2003	12/31/2004	12/31/2005	9/30/2006		
	Net	Net	Net	Net	Gross	%
<b>Public Finance:</b>						
General Obligation	\$ 5,429	\$ 7,795	\$ 13,273	\$ 19,274	\$ 42.0%	18,717
Utility	2,653	4,927	6,602	9,564	20.8%	8,768
Transportation	1,955	3,157	3,659	6,358	13.9%	6,035
Higher Education	1,253	1,842	3,469	4,669	10.2%	4,553
Non Ad Valorem	797	2,252	3,416	4,878	10.6%	4,369
Other	1,271	1,180	881	1,129	2.5%	1,088
<b>Total Public Finance</b>	<b>\$ 13,358</b>	<b>\$ 21,153</b>	<b>\$ 31,300</b>	<b>\$ 45,872</b>	<b>100.0%</b>	<b>\$ 43,530</b>
<b>Structured Finance:</b>						
Pooled Debt Obligations	\$ 7,338	\$ 8,789	\$ 13,440	\$ 20,092	41.9%	\$ 19,720
Consumer ABS	3,094	12,927	8,726	11,744	24.5%	10,622
Financial Products	2,382	3,558	5,207	6,167	12.9%	5,681
Power & Utility	2,081	3,736	4,113	5,009	10.4%	4,768
Commercial ABS	2,354	3,540	1,826	3,290	6.9%	2,888
Other	115	603	1,191	1,673	3.5%	1,624
<b>Total Structured Finance</b>	<b>\$ 17,364</b>	<b>\$ 33,153</b>	<b>\$ 34,503</b>	<b>\$ 47,975</b>	<b>100.0%</b>	<b>\$ 45,303</b>
<b>International Finance:</b>						
Power & Utility	\$ 562	\$ 896	\$ 2,091	\$ 3,526	25.0%	\$ 3,159
Infrastructure	-	-	917	2,760	19.6%	2,450
Transportation	294	945	1,344	2,177	15.5%	1,988
Pooled Debt Obligations	495	1,143	1,017	1,455	10.3%	1,455
Future Flow	702	1,197	2,116	2,120	15.1%	1,855
Financial Products	-	-	-	-	0.0%	-
Consumer ABS	525	350	348	463	3.3%	444
Other	671	337	283	1,576	11.2%	1,450
<b>Total International Finance</b>	<b>\$ 3,249</b>	<b>\$ 4,868</b>	<b>\$ 8,116</b>	<b>\$ 14,077</b>	<b>100.0%</b>	<b>\$ 12,801</b>
<b>Total Net Par Outstanding</b>	<b>\$ 33,971</b>	<b>\$ 59,174</b>	<b>\$ 73,919</b>	<b>\$ 107,924</b>		<b>\$ 101,634</b>
<b>Percent of Total Net Par Outstanding</b>						
Public Finance	39.3%	35.7%	42.3%			42.8%
Structured Finance	51.1%	56.0%	46.7%			44.5%
International Finance	9.6%	8.2%	11.0%			12.7%

**Security Capital Assurance Ltd**  
**Insured Portfolio - Reinsurance Segment Par Outstanding**  
(U.S. dollars in millions)

	As of			As of		
	12/31/2003	12/31/2004	12/31/2005	9/30/2006		
	Net	Net	Net	Par Value	%	%
				Gross		Net
<b>Public Finance:</b>						
General Obligation	\$ 1,474	\$ 1,420	\$ 1,437	\$ 1,344	58.6%	\$ 1,344
Utility	256	294	294	254	11.1%	254
Transportation	176	234	232	282	12.3%	282
Higher Education	300	300	300	300	13.1%	300
Non Ad Valorem	-	96	96	96	4.2%	96
Other	13	12	11	16	0.7%	16
<b>Total Public Finance</b>	<b>\$ 2,219</b>	<b>\$ 2,356</b>	<b>\$ 2,370</b>	<b>\$ 2,292</b>	<b>100.0%</b>	<b>\$ 2,292</b>
<b>Structured Finance:</b>						
Pooled Debt Obligations	\$ 748	\$ 318	\$ 191	\$ 703	30.4%	\$ 703
Consumer ABS	1,743	1,138	672	371	16.0%	371
Financial Products	185	174	167	339	14.7%	291
Power & Utility	-	-	-	-	0.0%	-
Commercial ABS	402	303	208	230	9.9%	230
Other	134	417	1,085	669	28.9%	669
<b>Total Structured Finance</b>	<b>\$ 3,212</b>	<b>\$ 2,350</b>	<b>\$ 2,323</b>	<b>\$ 2,312</b>	<b>100.0%</b>	<b>\$ 2,264</b>
<b>International Finance:</b>						
Power & Utility	\$ 313	\$ 510	\$ 802	\$ 1,058	22.2%	\$ 1,002
Infrastructure	230	284	288	634	13.3%	634
Transportation	360	367	494	866	18.2%	829
Pooled Debt Obligations	168	59	31	32	0.7%	32
Future Flow	15	15	14	25	0.5%	-
Financial Products	885	893	842	890	18.7%	890
Consumer ABS	644	244	23	20	0.4%	20
Other	866	682	784	1,235	25.9%	1,182
<b>Total International Finance</b>	<b>\$ 3,481</b>	<b>\$ 3,054</b>	<b>\$ 3,278</b>	<b>\$ 4,760</b>	<b>100.0%</b>	<b>\$ 4,589</b>
<b>Grand Total</b>	<b>\$ 8,912</b>	<b>\$ 7,760</b>	<b>\$ 7,972</b>	<b>\$ 9,364</b>		<b>\$ 9,145</b>
<b>Percent of Total Net Par Outstanding</b>						
Public Finance	24.9%	30.4%	29.7%		24.5%	25.1%
Structured Finance	36.0%	30.3%	29.1%		24.7%	24.8%
International Finance	39.1%	39.4%	41.1%		50.8%	50.2%

**Security Capital Assurance Ltd**  
**Insured Portfolio - Combined Insurance and Reinsurance Segment Par Outstanding**  
(U.S. dollars in millions)

	As of			As of		
	12/31/2003	12/31/2004	12/31/2005	9/30/2006		
	Net	Net	Net	Par Value Gross	%	Net
<b>Public Finance:</b>						
General Obligation	\$ 6,903	\$ 9,215	\$ 14,710	\$ 20,618	42.8%	\$ 20,061
Utility	2,909	5,221	6,896	9,818	20.4%	9,022
Transportation	2,131	3,391	3,891	6,640	13.8%	6,317
Higher Education	1,563	2,142	3,769	4,969	10.3%	4,853
Non Ad Valorem	797	2,348	3,512	4,974	10.3%	4,465
Other	1,284	1,192	892	1,145	2.4%	1,104
<b>Total Public Finance</b>	<b>\$ 15,577</b>	<b>\$ 23,509</b>	<b>\$ 33,670</b>	<b>\$ 48,164</b>	<b>100.0%</b>	<b>\$ 45,822</b>
<b>Structured Finance:</b>						
Pooled Debt Obligations	\$ 8,086	\$ 9,109	\$ 13,631	\$ 20,795	41.4%	\$ 20,423
Consumer ABS	4,837	14,065	9,398	12,115	24.1%	10,993
Financial Products	2,567	3,732	5,374	6,506	12.9%	5,972
Power & Utility	2,081	3,736	4,113	5,009	10.0%	4,768
Commercial ABS	2,756	3,843	2,034	3,520	7.0%	3,118
Other	249	1,018	2,276	2,342	4.7%	2,293
<b>Total Structured Finance</b>	<b>\$ 20,576</b>	<b>\$ 35,503</b>	<b>\$ 36,826</b>	<b>\$ 50,287</b>	<b>100.0%</b>	<b>\$ 47,567</b>
<b>International Finance:</b>						
Power & Utility	\$ 875	\$ 1,406	\$ 2,893	\$ 4,584	24.3%	\$ 4,161
Infrastructure	230	284	1,205	3,394	18.0%	3,084
Transportation	654	1,312	1,838	3,043	16.2%	2,817
Pooled Debt Obligations	663	1,202	1,048	1,487	7.9%	1,487
Future Flow	717	1,212	2,130	2,145	11.4%	1,855
Financial Products	885	893	842	890	4.7%	890
Consumer ABS	1,169	594	371	483	2.6%	464
Other	1,537	1,019	1,067	2,811	14.9%	2,632
<b>Total International Finance</b>	<b>\$ 6,730</b>	<b>\$ 7,922</b>	<b>\$ 11,394</b>	<b>\$ 18,837</b>	<b>100.0%</b>	<b>\$ 17,390</b>
<b>Grand Total</b>	<b>\$ 42,883</b>	<b>\$ 66,934</b>	<b>\$ 81,891</b>	<b>\$ 117,288</b>		<b>\$ 110,779</b>
<b>Percent of Total Net Par Outstanding</b>						
Public Finance	36.3%	35.1%	41.1%		41.1%	41.4%
Structured Finance	48.0%	53.0%	45.0%		42.9%	42.9%
International Finance	15.7%	11.8%	13.9%		16.1%	15.7%

## Security Capital Assurance Ltd

### Insured Portfolio - Summary of Below Investment Grade Exposures

(U.S. dollars in millions)

	As of 9/30/2006	
	Net Par Outstanding	
Public Finance:		
General Obligation	\$	57
Utility		-
Transportation		-
Higher Education		-
Non Ad Valorem		-
Other		-
Total Public Finance	\$	<u>57</u>
Structured Finance:		
Pooled Debt Obligations	\$	4
Consumer ABS		6
Financial Products		-
Power & Utility		165
Commercial ABS		151
Other		10
Total Structured Finance	\$	<u>336</u>
International Finance:		
Power & Utility	\$	-
Infrastructure		-
Transportation		261
Pooled Debt Obligations		-
Future Flow		-
Financial Products		-
Consumer ABS		-
Other		-
Total International Finance	\$	<u>261</u>
Total NIG	\$	<u>654</u>
NIG as a percentage of net par outstanding		<u>0.6%</u>

**Note:**

Based on S&P ratings if available and internal SCA ratings if no S&P rating is available.

## Security Capital Assurance Ltd

### Insured Portfolio - Combined Insurance and Reinsurance Par Written by Bond Type

(U.S. dollars in millions)

	Three Months Ended 9/30/2006			Nine Months Ended 9/30/2006			Year Ended 12/31/2005			
	Gross	Par Written	Net	Gross	Par Written	Net	Gross	Par Written	Net	
<b>Public Finance:</b>										
General Obligation	\$ 1,303	\$ 1,303	\$ 1,303	\$ 4,758	\$ 4,727	\$ 6,149	\$ 18.1%	\$ 5,853	18.6%	
Utility	655	655	2,089	2,172	2,089	2,322	6.8%	2,179	6.9%	
Transportation	786	738	2,460	2,732	2,460	838	2.5%	812	2.6%	
Higher Education	394	394	1,126	1,138	1,126	1,652	4.9%	1,652	5.3%	
Non Ad Valorem	69	69	987	1,036	987	1,224	3.6%	1,212	3.9%	
Other	96	96	499	539	499	-	0.0%	-	0.0%	
<b>Total Public Finance</b>	<b>3,303</b>	<b>3,255</b>	<b>11,888</b>	<b>12,375</b>	<b>11,888</b>	<b>12,185</b>	<b>35.8%</b>	<b>11,708</b>	<b>37.3%</b>	
<b>Structured Finance:</b>										
Pooled Debt Obligations	3,583	3,406	8,254	8,627	8,254	6,030	17.7%	6,030	19.2%	
Consumer ABS	2,479	2,334	6,626	7,137	6,626	3,191	9.4%	2,846	9.1%	
Financial Products	967	967	1,743	1,743	1,743	4,498	13.2%	4,077	13.0%	
Power & Utility	267	227	936	994	936	440	1.3%	440	1.4%	
Commercial ABS	353	353	1,457	1,592	1,457	423	1.2%	387	1.2%	
Other	-	-	390	402	390	1,558	4.6%	1,345	4.3%	
<b>Total Structured Finance</b>	<b>7,649</b>	<b>7,287</b>	<b>19,406</b>	<b>20,495</b>	<b>19,406</b>	<b>16,140</b>	<b>47.5%</b>	<b>15,125</b>	<b>48.1%</b>	
<b>International Finance:</b>										
Power & Utility	552.0	489.0	981	1,088	981	2,068	6.1%	1,618	5.2%	
Infrastructure	-	-	1,720	1,902	1,720	1,415	4.2%	1,266	4.0%	
Transportation	-	-	735	765	735	230	0.7%	230	0.7%	
Pooled Debt Obligations	-	-	287	287	287	-	0.0%	-	0.0%	
Future Flow	-	-	-	-	-	1,775	5.2%	1,332	4.2%	
Financial Products	-	-	-	-	-	32	0.1%	32	0.1%	
Consumer ABS	123	123	123	123	123	49	0.1%	49	0.2%	
Other	929	829	1,730	1,882	1,730	115	0.3%	67	0.2%	
<b>Total International Finance</b>	<b>1,604</b>	<b>1,441</b>	<b>5,576</b>	<b>6,047</b>	<b>5,576</b>	<b>5,684</b>	<b>16.7%</b>	<b>4,594</b>	<b>14.6%</b>	
<b>Grand Total</b>	<b>\$ 12,556</b>	<b>\$ 11,983</b>	<b>\$ 36,870</b>	<b>\$ 38,917</b>	<b>\$ 36,870</b>	<b>\$ 34,009</b>	<b>100.0%</b>	<b>\$ 31,427</b>	<b>100.0%</b>	

## Security Capital

### Insured Portfolio - Profile by Geographic Distribution

(U.S. dollars in millions)

As of 9/30/2006						
	Gross		Par Value Outstanding			
		%	Net		%	
Geographic Distribution						
United States						
California	\$	12,439	10.6%	\$	11,597	10.5%
New York		9,180	7.8%		8,710	7.9%
Delaware		3,387	2.9%		2,935	2.6%
Illinois		3,282	2.8%		3,198	2.9%
Texas		2,732	2.3%		2,544	2.3%
Florida		2,562	2.2%		2,434	2.2%
New Jersey		2,510	2.1%		2,435	2.2%
Alabama		2,463	2.1%		2,035	1.8%
Massachusetts		2,382	2.0%		2,291	2.1%
Pennsylvania		2,121	1.8%		2,121	1.9%
Subtotal		<u>43,058</u>	36.7%		<u>40,300</u>	36.4%
Other States & Territories		21,841	18.6%		21,018	19.0%
Nationally Diversified		<u>33,563</u>	<u>28.6%</u>		<u>32,083</u>	<u>29.0%</u>
Total United States		<u>98,462</u>	83.9%		<u>93,401</u>	84.3%
Non-United States						
United Kingdom		7,251	6.2%		6,558	5.9%
Australia		1,350	1.2%		1,288	1.2%
Canada		1,007	0.9%		834	0.8%
Turkey		943	0.8%		820	0.7%
Chile		809	0.7%		772	0.7%
Spain		746	0.6%		739	0.7%
New Zealand		737	0.6%		709	0.6%
Italy		693	0.6%		593	0.5%
Mexico		671	0.6%		621	0.6%
Norway		686	0.6%		657	0.6%
Brazil		457	0.4%		351	0.3%
Japan		446	0.4%		426	0.4%
France		419	0.4%		419	0.4%
Portugal		271	0.2%		263	0.2%
Egypt		208	0.2%		203	0.2%
Guatemala		125	0.1%		125	0.1%
El Salvador		109	0.1%		103	0.1%
Panama		39	0.0%		39	0.0%
Costa Rica		17	0.0%		17	0.0%
Subtotal		<u>16,984</u>	14.5%		<u>15,537</u>	14.0%
Internationally Diversified		<u>1,842</u>	<u>1.6%</u>		<u>1,841</u>	<u>1.7%</u>
Total Non-United States		<u>18,826</u>	16.1%		<u>17,378</u>	15.7%
Total	\$	<u><u>117,288</u></u>	<u>100.0%</u>	\$	<u><u>110,779</u></u>	<u>100.0%</u>

## Security Capital Assurance Ltd

### Insured Portfolio - CDO Exposure by Rating and Year of Issue

(U.S. dollars in millions)

Distribution by Ratings of CDO Exposure <sup>1</sup>	As of			
	9/30/2006		12/31/2005	
	Net Par Outstanding	%	Net Par Outstanding	%
AAA	\$ 18,140	82.8%	\$ 12,709	86.6%
AA	2,723	12.4%	1,365	9.3%
A	849	3.9%	589	4.0%
BBB	193	0.9%	1	0.0%
Below investment grade	4	0.0%	15	0.1%
Total exposure	\$ 21,909	100.0%	\$ 14,679	100.0%

Distribution of CDO Exposure by Year of Issue	As of			
	9/30/2006		12/31/2005	
	Net Par Outstanding	%	Net Par Outstanding	%
2000 and prior	\$ 170	0.8%	\$ 171	1.2%
2001	1,268	5.8%	2,638	18.0%
2002	1,995	9.1%	2,274	15.5%
2003	1,451	6.6%	1,998	13.6%
2004	1,833	8.4%	1,830	12.5%
2005	6,663	30.4%	5,768	39.3%
2006 year to date	8,529	38.9%		

**Note:**

<sup>1</sup> Based on S&P ratings if available and internal SCA ratings if no S&P rating is available.

**Security Capital Assurance Ltd**  
**Insured Portfolio - 25 Largest Public Finance Credits**  
(U.S. dollars in millions)

As of 9/30/2006		
	Obligor Name	Net Par Outstanding
1	State of California - GO	\$ 969
2	State of New Jersey - GO	920
3	Jefferson County, Alabama - Water/Sewer Revenue	814
4	City of New York - GO	734
5	San Francisco International Airport - General Revenue	720
6	State of Wisconsin - GO	706
7	East Bay Municipal Utility District, California - Water/Sewer Revenue	597
8	Oklahoma Turnpike Authority, Ok - Toll/Gas Revenue	588
9	LCOR Alexandria LLC - Pre-Insured Federal Lease Backed	580
10	State of California - Sales Tax	562
11	State of New York - GO	547
12	Denver International Airport - General Revenue	539
13	Commonwealth of Massachusetts - GO	538
14	City of Houston, Texas - Water/Sewer Revenue	528
15	Puerto Rico Electric Power Authority - Electric Revenue	479
16	Commonwealth of Puerto Rico - GO	478
17	Bay Area Toll Authority, California - Toll Revenue	425
18	Chicago O'Hare International Airport - General Revenue	425
19	Port Authority of New York and New Jersey - General Revenue	417
20	Jacksonville Electric Authority (JEA), Florida - Electric Revenue	408
21	South Carolina Transportation Infrastructure Bank - State Gas and Motor Vehicle Tax	366
22	Metropolitan Transportation Authority of New York - Dedicated Tax	360
23	Detroit Metropolitan Wayne County Airport - General Revenue	342
24	Long Island Power Authority - Electric Revenue	333
25	Riverside County, California - Tax Allocation	322
	<b>Total</b>	<b>\$ 13,697</b>
	<b>Total Portfolio Exposure</b>	<b>\$ 45,822</b>
	<b>% of Total Portfolio</b>	<b>29.9%</b>



## Security Capital Assurance Ltd

### Insured Portfolio - Top 10 Structured Finance Servicer Exposures

(U.S. dollars in millions)

As of 9/30/2006		
	Servicer Name <sup>1</sup>	Net Par Outstanding
1	Countrywide Financial Corporation	\$ 3,894
2	Capital One Financial Corporation	1,425
3	GMAC Mortgage Corporation	1,262
4	Cendant Corporation	1,044
5	IndyMac Bank, F.S.B.	758
6	Ameriquest Mortgage Company	481
7	Sanwa Finance Co., Ltd.	426
8	AmeriCredit Financial Services, Inc.	395
9	Dollar Thrifty Automotive Group, Inc.	364
10	Consumer Portfolio Services, Inc.	358
	Total	<u>\$ 10,407</u>

**Note:**

<sup>1</sup>Servicer may be an operating subsidiary of the named entity

## Security Capital Assurance Ltd

### Reconciliation of Non-U.S. GAAP Measures

This Operating Supplement contains the presentation of AGP, ANP, PVFIP, NPVFIP, operating income, core income and ABV. These measures are "non-U.S. GAAP financial measures" as defined in Regulation G. The reconciliations of AGP and ANP to total premiums written, and core income and operating income to net income and ABV to total shareholders' equity (the most directly comparable U.S. GAAP financial measures) presented on the following page are in accordance with Regulation G.

We present our operations in the way we believe will be most meaningful and useful to investors, analysts, rating agencies and others who use our financial information in evaluating our performance. These non-U.S. GAAP measures are included herein because investors in SCA-insured bonds and other users of our financial information consider such measures important in analyzing our financial performance.

#### *Adjusted Gross Premiums*

Adjusted gross premiums is a non-GAAP measure of new business production that management uses to evaluate our business because it provides comparability between upfront premiums and installment premiums, unlike U.S. GAAP total premiums written. Because adjusted gross premiums includes premiums due on future on installment business written in the period, management believes it provides an additional, useful measure of new business production than only U.S. GAAP total premiums written.

Management uses this measure to review trends in new business written because it views this method as providing comparability between business written on an upfront premium basis and business written on an installment basis. This measure is viewed by management as an essential component of information necessary to assess forward-looking earning potential, which is substantially dependent on the size of our in-force book of business.

Management also compares our adjusted gross premiums production to industry figures on a quarterly basis and uses this measure to assess employee productivity, as well as our market share and competitive position. As wholly-owned subsidiaries of XL Capital, aggregate compensation at XLCA and XLFA has historically been determined within the context of XL Capital's compensation plans taking into consideration certain unique aspects of the XLCA's and XLFA's business, including their start up nature, and has been based upon several key performance factors, including adjusted gross premiums production. Allocation of such compensation by XLCA and XLFA to their individual employees is based upon similar key performance criteria, principally adjusted gross premiums. Going forward, our employee compensation plans will consider various factors when determining the amount of overall compensation and individual awards.

In addition to presenting total premiums written, we believe that disclosure of adjusted gross premiums enables investors and other users of our financial information to analyze our performance in a manner similar to the way in which management analyzes performance. In this regard, we believe that providing only a U.S. GAAP presentation of gross premium written makes it more difficult for users of our financial information to evaluate our underlying business. Also, we believe that analysts, investors and rating agencies who follow us and our subsidiaries include these items in their analyses for the same reasons, and they request that we and our subsidiaries provide this non-U.S. GAAP financial information on a regular basis.

#### *Operating Income and Core Income*

We believe operating income and core income are useful measures for management, equity analysts and investors because the presentation of operating income and core income enhances the understanding of our results of operations by highlighting the underlying profitability of our business. We exclude net realized gains (losses) on investments and net realized and unrealized gains (losses) on credit derivatives because the amount of these gains (losses) is heavily influenced by, and fluctuates in part according to, market interest rates, credit spreads and other factors that management cannot control or predict. Although the investment of premiums to generate income (or loss) and realized capital gains (or losses) is an integral part of our operations, the determination to realize capital gains (or losses) is independent of the underwriting process. In addition, under applicable U.S. GAAP accounting requirements, losses can be created as the result of other than temporary declines in value without actual realization. In this regard, certain users of our financial information, including certain rating agencies, evaluate earnings before tax and capital gains to understand the profitability of the recurring sources of income without the effects of these two variables. Furthermore, these users believe that, for many companies, the timing of the realization of capital gains is largely opportunistic and are a function of economic and interest rate conditions. In addition, with respect to credit derivatives, because we generally holds our financial guarantee contracts written in derivative form to maturity, the net effects of the changes in fair value of these credit derivatives are excluded (similar with other companies in the financial guarantee business) as the changes in fair value each quarter are not indicative of underlying business performance of our financial guarantee operations. In addition, the impact of refundings of upfront policies is excluded from Core Income. These measures should not be viewed as a substitute for net income determined in accordance with U.S. GAAP.

#### *Adjusted Book Value*

We believe ABV is a useful measure for management, equity analysts and investors because the calculation of adjusted book value permits an evaluation of the net present value of our in-force premiums and capital base. The premiums described above will be earned in future periods, but may differ materially from the estimated amounts used in determining current adjusted book value due to changes in market interest rates, refinancing or refunding activity, pre-payment speeds, policy changes or terminations, credit defaults, and other factors that management cannot control or predict. This measure should not be viewed as a substitute for book value determined in accordance with U.S. GAAP.

In summary, we evaluate the performance of and manage our business to produce an underwriting profit. In addition to presenting total premiums written, we believe that showing both U. S. GAAP and these non-U. S. GAAP items enable investors and other users of our financial information to analyze our performance in a manner similar to how our management analyzes performance. In this regard, we believe that providing only a U.S. GAAP presentation of total written premium makes it more difficult for users of our financial information to evaluate our underlying business. Also, as stated above, we believe that analysts, investors and rating agencies who follow us (and the financial guarantee insurance industry as a whole) include these items in their analyses for the same reasons, and they request that we provide this non-U.S. GAAP financial information on a regular basis.

**Security Capital Assurance Ltd**  
**Reconciliation of Non-U.S. GAAP Measures**  
(Unaudited)  
(U.S. dollars in millions)

	Three Months Ended		Nine Months Ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005
<b>ANP AND AGP TO TOTAL PREMIUMS WRITTEN</b>				
Total premiums written	\$ 85.6	\$ 83.0	\$ 275.4	\$ 216.9
Total upfront premium written	47.1	40.3	174.2	113.1
Total installment premium written	38.5	42.6	101.2	103.8
PV/FIP	44.2	63.2	184.7	173.1
AGP	91.3	103.5	358.9	286.2
Ceded premiums net of commission received	3.4	1.4	12.9	17.5
<b>ANP</b>	<b>\$ 87.9</b>	<b>\$ 102.1</b>	<b>\$ 346.0</b>	<b>\$ 268.7</b>

	Three Months Ended		Nine Months Ended	
	9/30/2006	9/30/2005	9/30/2006	9/30/2005
<b>NET INCOME TO OPERATING INCOME AND CORE INCOME</b>				
Net income	\$ 28.4	\$ 31.4	\$ 81.5	\$ 53.4
Net realized (losses) on investments	(0.2)	(0.8)	(16.6)	(2.1)
Net realized and unrealized (losses) on credit derivatives	(3.2)	(1.9)	(6.8)	(4.2)
Operating Income	31.8	34.1	104.9	59.8
Effect of refundings	0.3	3.5	22.7	3.7
<b>Core Income</b>	<b>\$ 31.5</b>	<b>\$ 30.6</b>	<b>\$ 82.1</b>	<b>\$ 56.1</b>

	As of	
	9/30/2006	12/31/2005
<b>TOTAL SHAREHOLDERS' EQUITY TO ABV</b>		
Total shareholders' equity	\$ 1,327.4	\$ 867.8
Deferred premium revenue net of prepaid reinsurance premiums and DAC	546.2	439.9
NPV/FIP	444.8	340.3
<b>Total ABV</b>	<b>\$ 2,318.4</b>	<b>\$ 1,648.0</b>