



Fundamental strength in financial guarantee insurance and reinsurance



**First Quarter 2008  
Summarized Results**

SECURITY CAPITAL ASSURANCE

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Note: Numbers throughout the presentation may not add due to rounding.

## Earnings summary

### First Quarter Earnings

(U.S. Dollars in millions, except per share amounts)

	<b>2008</b>	<b>2007</b>
Net (Loss) Income	\$ (96.8)	\$ 37.3
EPS (diluted)	(1.51) <sup>1</sup>	0.58
Operating Income	(2.7)	44.1
Operating Income EPS (diluted)	(0.04) <sup>1</sup>	0.68
Weighted-average diluted shares outstanding (thousands)	64,214	64,343
Weighted-average basic shares outstanding (thousands)	64,214	64,136

1. Because we reported net losses for the three months ended March 31, 2008, under GAAP we cannot take into consideration dilutive securities when calculating a net loss per share.

## Change in fair value of derivatives

### First Quarter

(U.S. Dollars in thousands)

	2008	2007
Realized gains and losses and other settlements:		
Settlement value of Twin Reefs put option	\$ 179.5	\$ -
Premiums earned on credit default swaps	<u>18.4</u>	<u>7.5</u>
Total realized gains and losses and other settlements	197.9	7.5
Unrealized losses		
Reversal of Twin Reefs unrealized gain as of 12/31/07	(107.0)	-
Net unrealized losses on CDS	<u>(187.2)</u>	<u>(7.9)</u>
Net unrealized losses	<u>(294.2)</u>	<u>(7.9)</u>
Net change in fair value of derivatives	<u>\$ (96.3)</u>	<u>\$ (0.5)</u>

## Q1 Balance Sheet – net fair value of derivatives

(\$ in millions)	Q1 Balance Sheet net fair value of derivatives	
<b>Income approach using target ROEs for our defined market</b>	\$ (1,354.4)	82.6%
<b>Price discovery regarding commutation or deal restructuring</b>	(111.5)	6.8%
<b>Market indices</b>	(63.6)	3.9%
<b>Other factors</b>	(110.8)	6.7%
<b>TOTAL</b>	<b>\$ (1,640.3)</b>	<b>100.0%</b>

## Estimated fair value and credit impairment of CDS contracts at March 31, 2008

(\$ in millions)	Par exposure	(1) Fair value	(2) Credit impairment	(1) – (2) Fair value net of credit impairment
<b>ABS CDO</b>	\$18,003.4	\$1,557.5	\$837.1	\$720.4
<b>CLO</b>	13,238.1	113.4	-	113.4
<b>Investment Grade Corporate CDO</b>	5,700.0	78.8	-	78.8
<b>CDO of CDO</b>	1,372.8	7.3	-	7.3
<b>CMBS</b>	4,946.1	37.6	-	37.6
<b>Other</b>	21,400.1	139.5	22.1	117.4
<b>Total Gross Par</b>	<b>\$64,660.5</b>	<b>\$1,934.1</b>	<b>\$859.2</b>	<b>\$1,074.9</b>
<b>Reinsurance</b>	(4,979.9)	(293.8)	(172.7)	(121.1)
<b>Total Net Par</b>	<b>\$59,680.6</b>	<b>\$1,640.3</b>	<b>\$686.5</b>	<b>\$953.8</b>

## First quarter case loss reserve provisions

	<b>CDO of ABS</b>	<b>RMBS (HELOC &amp; CES)</b>	<b>Other</b>	<b>Less: Credit impairment on derivatives</b>	<b>Total</b>
<b>Gross</b>	\$8MM	\$42MM	\$(1)MM	\$(8)MM	\$41MM
<b>Net</b>	\$22MM	\$38MM	\$(1)MM	\$(21)MM	\$38MM

## Net losses & loss adjustment expenses (LAE) summary

### First Quarter Net Losses and LAE

(U.S. Dollars in millions)

	2008		2007	
Net Unallocated Loss Reserve Expense	\$	2.6	\$	1.7
Case Loss Provision (Benefit)		37.8		(3.3)
LAE Provision (Benefit)		<u>1.1</u>		<u>(0.2)</u>
Net Losses and Loss Adjustment Expenses	\$	<u>41.5</u>	\$	<u>(1.8)</u>



# Net and core premiums earned summary including credit derivative contracts

## First Quarter Net and Core Premiums Earned Including Credit Derivative Contracts

(U.S. Dollars in millions)

	<b>2008</b>	<b>2007</b>
Net Premiums Earned	\$ 58.4	\$ 38.9
Net Premiums Earned - Credit Derivative Contracts	<u>18.4</u>	<u>7.5</u>
Net Premiums Earned Including Credit Derivative Contracts	76.7	46.4
Earned Premiums Recognized from Refundings, Calls and Other Accelerations	<u>(20.4)</u>	<u>(1.3)</u>
Core Net Premiums Earned	<u>\$ 56.3</u>	<u>\$ 45.1</u>

## Net investment income

### First Quarter Net Investment Income

(U.S. Dollars in millions)

		<b>2008</b>		<b>2007</b>
Net Investment Income	\$	32.3	\$	26.1
Net Realized (Losses) Gains on Investments		(1.6)		0.1

## Operating and corporate expenses summary

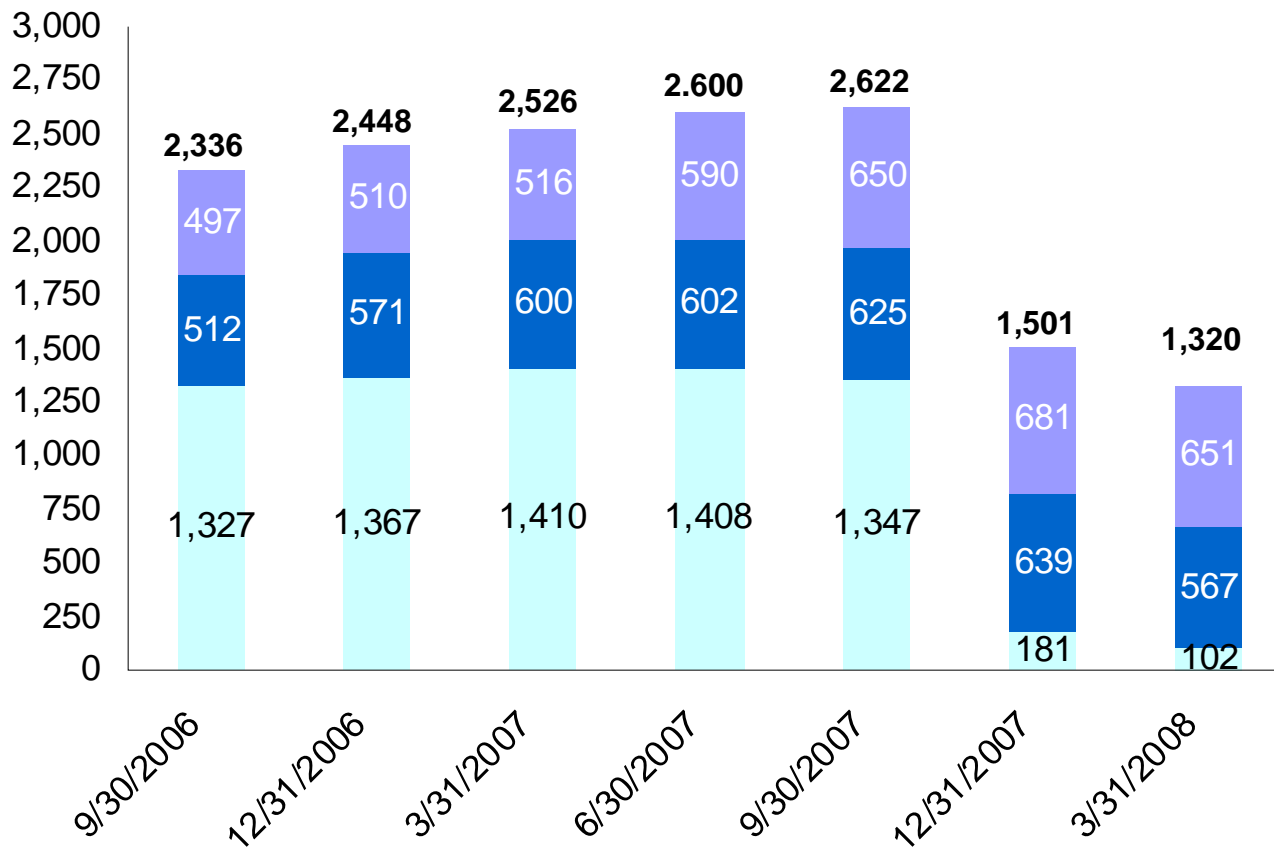
### First Quarter Operating and Corporate Expenses

(U.S. Dollars in millions)

	<b>2008</b>		<b>2007</b>	
Operating Expenses	\$	33.4	\$	20.3
Corporate Expenses		<u>7.5</u>		<u>3.8</u>
Total Operating & Corporate Expenses	\$	<u>40.9</u>	\$	<u>24.1</u>

Note: No costs were deferred in 2008 due to the cessation of writing new business.

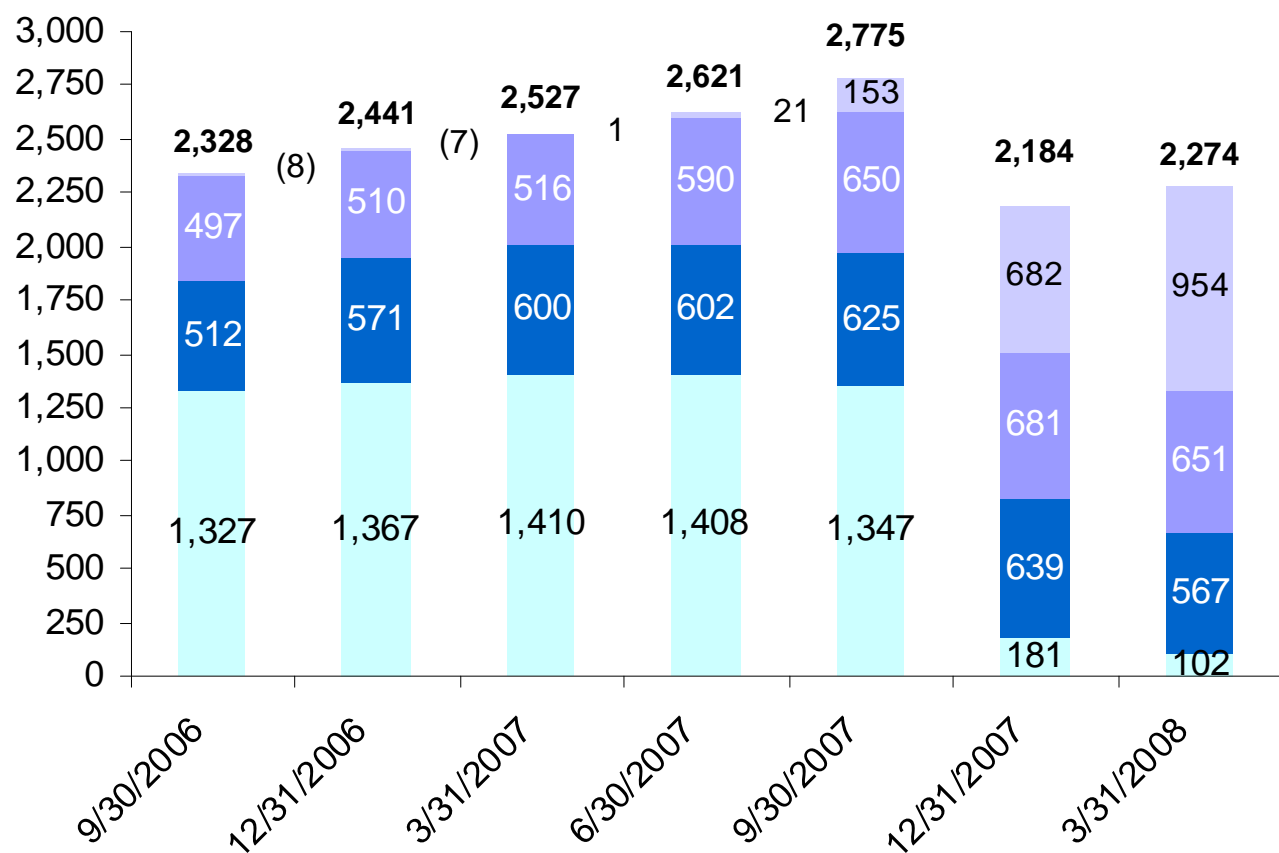
# Adjusted book value



■ Common Shareholders' Equity 
 ■ Net Deferred Premium - Previous (A/T)\* 
 ■ NPVFIP - Previous (A/T)

\* Deferred premium revenue net of pre-paid reinsurance premiums and DAC, net of tax

# Adjusted book value – excluding impact of the changes in fair value of derivatives



■ Common Shareholders' Equity 
 ■ Net Deferred Premium (A/T)\* 
 ■ NPVFIP 
 ■ Fair Value of Derivatives\*\*

\* Deferred premium revenue net of pre-paid reinsurance premiums and DAC, net of tax

\*\* Net of credit impairments

## Operating cash flow

### First Quarter Operating Cash Flow

(U.S. Dollars in millions)

**2008**

**2007**

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Net Cash Flow from Operations	\$	(44.6)	\$	58.8
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# Additional information

# Reconciliation of non-GAAP items

(U.S. Dollars in millions)

## Reconciliation of Total Premiums Written to Adjusted Gross Premiums

	Three Months Ended	
	3/31/2008	3/31/2007
Total premiums written	\$ 30.0	\$ 96.2
Total premiums written - credit derivative contracts	19.9	8.7
Total premium written including credit derivative contracts	49.9	104.9
Present value of future installments	(40.0)	34.0
Adjusted gross premiums	<u>\$ 9.9</u>	<u>\$ 138.9</u>

## Net Premiums Earned Reconciliation

	Three Months Ended	
	3/31/2008	3/31/2007
Net premiums earned	\$ 58.4	\$ 38.9
Net premiums earned - credit derivative contracts	18.4	7.5
Net premiums earned including credit derivative contracts	76.7	46.4
Earned premium recognized from refundings, calls and other accelerations	(20.4)	(1.3)
Core net premiums earned	<u>\$ 56.3</u>	<u>\$ 45.1</u>

## Net Losses and Loss Adjustment Expenses Reconciliation

	Three Months Ended	
	3/31/2008	3/31/2007
Net losses and loss adjustment expenses	\$ 41.5	\$ (1.8)
Credit impairment adjustment included in unrealized losses on derivatives	22.2	1.0
Net losses and loss adjustment expenses including the credit impairment adjustments included in unrealized losses on derivatives	<u>\$ 63.7</u>	<u>\$ (0.8)</u>



# Reconciliation of non-GAAP items – continued

(U.S. Dollars in millions)

<b>Reconciliation of Net (Loss) Income to Operating (Loss) Income and Core (Loss) Income</b>		
	<b>Three Months Ended</b>	
	<b>3/31/2008</b>	<b>3/31/2007</b>
Net (loss) income available to common shareholders	\$ (96.8)	\$ 37.3
Effect of:		
Realized gain on exercise of put option	(179.6)	-
Net realized losses (gains) on investments	1.6	(0.1)
Adjustment for unrealized losses on derivatives, net of tax	294.2	7.9
Credit impairment adjustments included in unrealized losses on derivatives	(22.2)	(1.0)
Operating (loss) income	(2.7)	44.1
Effect of refundings, calls and other accelerations	(18.7)	(1.0)
Core (loss) income	<u>\$ (21.4)</u>	<u>\$ 43.1</u>

<b>Reconciliation of Total Shareholders' Equity to Common Shareholders' Equity and Adjusted Book Value (ABV)</b>		
	<b>Three Months Ended</b>	
	<b>3/31/2008</b>	<b>3/31/2007</b>
Total shareholders' equity	\$ 348.4	\$ 427.1
Series A perpetual non-cumulative preference shares	(246.6)	(246.6)
Common shareholders' equity	101.8	180.5
After-tax value of:		
Deferred premium revenue	792.9	825.4
Present value of future installment premiums	651.4	681.4
Deferred acquisition costs	(139.8)	(96.2)
Prepaid reinsurance premiums	(86.2)	(90.0)
Adjusted book value	<u>\$ 1,320.0</u>	<u>\$ 1,501.1</u>

# Statement of operations sections impacted by the reclassifications

(U.S. Dollars in thousands)

	Quarter ended March 31, 2007		
	Current	Reclassifications	Prior Presentation
<b>Revenues</b>			
Net premiums earned	\$ 38,902	\$ 7,477 <sup>1</sup>	\$ 46,379
Net investment income	26,125		26,125
Net realized gains (losses) on investments	112		112
Change in fair value of derivatives			
Realized gains and losses and other settlements	7,477	(7,477) <sup>1</sup>	-
Unrealized gains (losses)	(7,946)	1,017 <sup>2</sup>	(6,929)
Net change in fair value of derivatives	(469)	(6,460)	(6,929)
Fee income and other	-		-
<b>Total revenues</b>	<b>64,670</b>	<b>1,017</b>	<b>65,687</b>
<b>Expenses</b>			
Net losses and loss adjustment expenses	(1,818)	1,017 <sup>2</sup>	(801)
Acquisition costs, net	3,970		3,970
Operating expenses	24,070		24,070
<b>Total expenses</b>	<b>26,222</b>	<b>1,017</b>	<b>27,239</b>
<b>(Loss) income before tax and minority interest</b>	<b>38,448</b>	<b>-</b>	<b>38,448</b>
Income tax (benefit) expense	79		79
<b>(Loss) income before minority interest</b>	<b>38,369</b>	<b>-</b>	<b>38,369</b>
Minority interest - dividends on redeemable preferred shares	1,114		1,114
<b>Net (loss) income</b>	<b>37,255</b>	<b>-</b>	<b>37,255</b>
Perpetual preference share dividends	-		-
<b>Net (loss) income available to common shareholders</b>	<b>\$ 37,255</b>	<b>\$ -</b>	<b>\$ 37,255</b>

<sup>1</sup> Premiums from credit derivative contracts

<sup>2</sup> Credit impairment adjustments on credit derivative contracts

# Statement of operations sections impacted by the reclassifications cont.

*(U.S. Dollars in thousands)*

	Quarter ended March 31, 2007		
	Current	Reclassifications	Prior Presentation
<b>Operating Income</b>			
Net (loss) income available to common shareholders	\$ 37,255		\$ 37,255
Add: Secondary offering expenses			
Less: Realized gain on exercise of credit facility put option			
Add: Net realized losses (gains) on investments	(112)		(112)
Add: Adjustment for unrealized losses (gains) on derivatives	7,946	(1,017) <sup>2</sup>	6,929
Less: Credit impairment adjustment included in unrealized losses (gains) on derivatives	(1,017)	1,017 <sup>2</sup>	-
<b>Total operating income available to common shareholders</b>	<b>\$ 44,072</b>	<b>\$ -</b>	<b>\$ 44,072</b>

<sup>1</sup> Premiums from credit derivative contracts

<sup>2</sup> Credit impairment adjustments on credit derivative contracts

# Balance sheet sections impacted by reclassifications

(U.S. Dollars in thousands)

	As of December 31, 2007		
	Current	Reclassifications	Prior Presentation
<b>Assets</b>			
Cash and cash equivalents	\$ 249,116	\$ -	\$ 249,116
Accrued investment income	21,039	-	21,039
Deferred acquisition costs	108,117	-	108,117
Prepaid reinsurance premiums	101,122	-	101,122
Premiums receivable	24,494	-	24,494
Reinsurance balances receivable	-	-	-
Reinsurance balances recoverable on unpaid losses	266,945	(183,788)	450,733
Intangible assets - acquired licenses	11,529	-	11,529
Deferred income tax asset	-	-	-
Derivative assets	354,596	186,232	168,364
Other assets	36,128	(2,444)	38,572
<b>Total assets</b>	<b>\$ 3,604,095</b>	<b>\$ -</b>	<b>\$ 3,604,095</b>
<b>Liabilities and Shareholders' Equity</b>			
<b>Liabilities</b>			
Unpaid losses and loss adjustment expenses	\$ 402,519	\$ (850,569)	\$ 1,253,088
Deferred premium revenue	927,385	-	927,385
Derivative liabilities	1,700,695	850,569	850,126
Reinsurance premiums payable	36,485	-	36,485
Payable for investments purchased	-	-	-
Accounts payable, accrued expenses and other liabilities	70,948	-	70,948
<b>Total liabilities</b>	<b>\$ 3,138,032</b>	<b>\$ -</b>	<b>\$ 3,138,032</b>

## Adjusted gross premium

### First Quarter AGP

(U.S. Dollars in millions)

		2008		2007
U.S. Public Finance	\$	4.3	\$	36.5
U.S. Structured Finance		-		41.2
International		5.6		61.3
Total	\$	9.9	\$	138.9

# Gross and net premiums written summary including credit derivative contracts

## First Quarter Premiums Written/Assumed

(U.S. Dollars in millions)

	<b>2008</b>	<b>2007</b>
Gross Premiums Written	\$ 21.8	\$ 80.8
Reinsurance Premiums Assumed	<u>8.3</u>	<u>15.5</u>
Total Premiums Written	30.0	96.2
Total Premiums Written - Credit Derivative Contracts	<u>19.9</u>	<u>8.7</u>
Total Premiums Written Including Credit Derivative Contracts	49.9	104.9
Ceded Premiums	<u>(3.4)</u>	<u>(19.8)</u>
Net Premiums Written Including Credit Derivative Contracts	<u>\$ 46.5</u>	<u>\$ 85.1</u>