



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



Second Quarter 2007 Summarized Results

SECURITY CAPITAL ASSURANCE

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This presentation includes 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.

We believe that these factors include, but are not limited to, the following:

- changes in rating agency policies or practices, including adverse changes to the financial strength or financial enhancement ratings of any or all of our operating subsidiaries;
- ineffectiveness or obsolescence of our business strategy, due to changes in current or future market conditions or other factors;
- the performance of our invested assets or losses on credit derivatives;
- availability of capital (whether in the form of debt or equity) and liquidity (including letter of credit facilities);
- the timing of claims payments being faster or the receipt of reinsurance recoverables being slower than anticipated by us;
- increased competition on the basis of pricing, capacity, terms or other factors;
- greater frequency or severity of claims and loss activity, including as a result of natural or man-made catastrophic events, than our underwriting, reserving or investment practices anticipate based on historical experience or industry data;
- developments in the world’s financial and capital markets that adversely affect the performance of our investments and our access to such markets;
- changes in, or termination of, our ongoing reinsurance agreements with XL Capital Ltd or FSA;
- changes in regulation or tax laws applicable to us or our customers or suppliers such as our reinsurers;
- changes in the rating agencies’ views on third-party inward reinsurance;
- changes in the availability, cost or quality of reinsurance or retrocessions, including a material adverse change in the ratings of our reinsurers or retrocessionaires;
- changes with respect to XL Capital Ltd (including changes in its ownership percentage in us) or our relationship with XL Capital Ltd;
- changes in accounting policies or practices or the application thereof;
- changes in the officers of our company or our subsidiaries;
- legislative or regulatory developments;
- changes in general economic conditions, including inflation, interest rates, foreign currency exchange rates and other factors; and
- the effects of business disruption or economic contraction due to war, terrorism or natural or other catastrophic events

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Note: Amounts may not add up due to rounding

Earnings Summary

Second Quarter Earnings

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

		2007	2006
Net Income	\$	25.9	\$ 36.4
EPS (diluted)	\$	0.40	\$ 0.79
Operating Income	\$	46.4	\$ 46.8
Operating Income EPS (diluted)	\$	0.72	\$ 1.01
Core Income	\$	41.4	\$ 25.3
Core Income EPS (diluted)	\$	0.64	\$ 0.55
Weighted-average diluted shares outstanding (thousands)		64,507	46,127

First Six Months Earnings

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

		2007	2006
Net Income	\$	63.2	\$ 53.1
EPS (diluted)	\$	0.98	\$ 1.15
Operating Income	\$	90.5	\$ 73.1
Operating Income EPS (diluted)	\$	1.40	\$ 1.58
Core Income	\$	84.5	\$ 49.9
Core Income EPS (diluted)	\$	1.31	\$ 1.08
Weighted-average diluted shares outstanding (thousands)		64,423	46,127

Adjusted Gross Premiums (AGP) Summary

Second Quarter AGP (U.S. Dollars in millions)	2007	2006
Public Finance	\$ 18.9	\$ 66.6
Structured Finance	58.7	32.4
International	<u>35.8</u>	<u>58.2</u>
Total	<u>\$ 113.4</u>	<u>\$ 157.2</u>

First Six Months AGP (U.S. Dollars in millions)	2007	2006
U.S. Public Finance	\$ 55.4	\$ 110.3
Structured Finance	99.9	60.8
International	<u>97.1</u>	<u>96.4</u>
Total	<u>\$ 252.4</u>	<u>\$ 267.6</u>

Premiums Written/Assumed Summary

Second Quarter Premiums Written/Assumed

(U.S. Dollars in millions)	2007	2006
Gross Premiums Written	\$ 65.2	\$ 99.4
Reinsurance Premiums Assumed	<u>5.5</u>	<u>8.3</u>
Total Premiums Written	70.7	107.6
Ceded Premiums Written	<u>(8.6)</u>	<u>(6.2)</u>
Net Premiums Written	<u>\$ 62.1</u>	<u>\$ 101.5</u>

First Six Months Premiums Written/Assumed

(U.S. Dollars in millions)	2007	2006
Gross Premiums Written	\$ 154.7	\$ 170.1
Reinsurance Premiums Assumed	<u>21.0</u>	<u>19.7</u>
Total Premiums Written	175.6	189.8
Ceded Premiums Written	<u>(28.8)</u>	<u>(13.8)</u>
Net Premiums Written	<u>\$ 146.8</u>	<u>\$ 176.1</u>

Net and Core Premiums Earned Summary

Second Quarter Net and Core Premiums Earned

(U.S. Dollars in millions)	2007	2006
Public Finance	\$ 13.2	\$ 22.2
Structured Finance	22.6	15.9
International	<u>18.4</u>	<u>17.5</u>
Net Premiums Earned	54.2	55.5
Earned premiums recognized from refundings, calls and other accelerations	<u>5.7</u>	<u>23.2</u>
Core Net Premiums Earned	<u>\$ 48.5</u>	<u>\$ 32.3</u>

First Six Months Net and Core Premiums Earned

(U.S. Dollars in millions)	2007	2006
Public Finance	\$ 26.8	\$ 30.5
Structured Finance	38.9	34.1
International	<u>34.9</u>	<u>28.7</u>
Net Premiums Earned	100.6	93.4
Earned premiums recognized from refundings, calls and other accelerations	<u>7.0</u>	<u>25.2</u>
Core Net Premiums Earned	<u>\$ 93.6</u>	<u>\$ 68.2</u>

Investment Income & Operating Cash Flow

Second Quarter

Investment Income

(U.S. Dollars in millions)

	2007	2006
Net Investment Income	\$ 30.3	\$ 16.1
Net Realized Losses on Investments	(1.7)	(10.7)

First Six Months

Investment Income

(U.S. Dollars in millions)

	2007	2006
Net Investment Income	\$ 56.4	\$ 31.2
Net Realized Losses on Investments	(1.5)	(16.4)

Second Quarter

Operating Cash Flow

(U.S. Dollars in millions)

	2007	2006
Cash Flow from Operations	\$ 43.1	\$ 100.3

First Six Months

Operating Cash Flow

(U.S. Dollars in millions)

	2007	2006
Cash Flow from Operations	\$ 101.1	\$ 145.9

Net Losses & Loss Adjustment Expenses (LAE) Summary

Second Quarter Net Losses and LAE

(U.S. Dollars in millions)	2007	2006
Net Unallocated Loss		
Reserve Expense	\$ 3.2	\$ 2.6
Case Loss Provision	(0.4)	0.2
LAE Provision	<u>0.2</u>	<u>0.1</u>
Net Losses and Loss Adjustment Expenses	<u>\$ 3.0</u>	<u>\$ 2.9</u>

First Six Months Net Losses and LAE

(U.S. Dollars in millions)	2007	2006
Net Unallocated Loss		
Reserve Expense	\$ 5.9	\$ 5.1
Case Loss Provision	(3.7)	0.6
LAE Provision	<u>-</u>	<u>0.6</u>
Net Losses and Loss Adjustment Expenses	<u>\$ 2.2</u>	<u>\$ 6.3</u>

Operating & Corporate Expenses Summary

Second Quarter Operating and Corporate Expenses

(U.S. Dollars in millions)

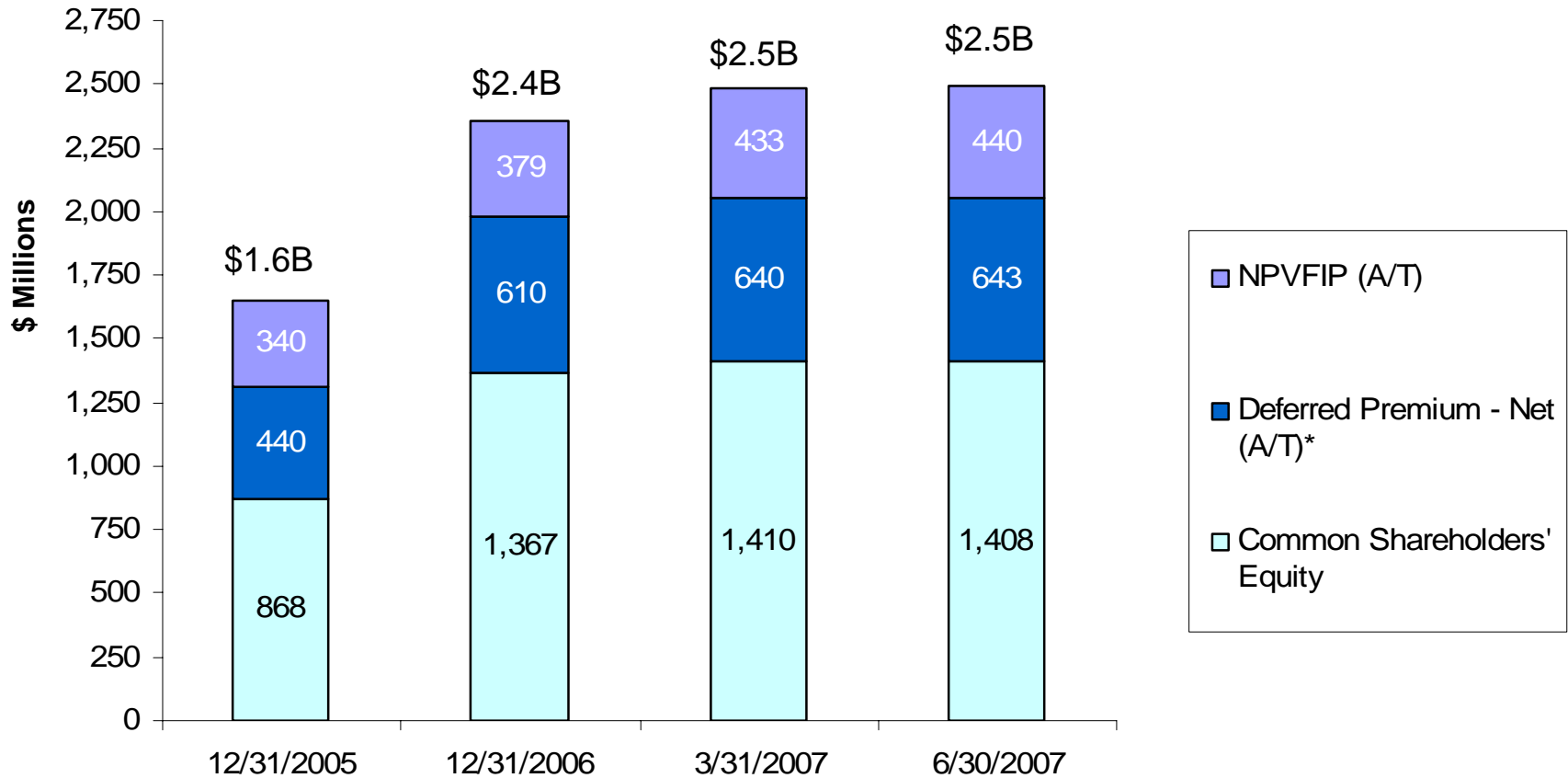
	2007	2006
Operating Expenses	\$ 21.7	\$ 17.5
Corporate Expense	<u>4.9</u>	<u>-</u>
Total Operating & Corporate Expense	<u>\$ 26.6</u>	<u>\$ 17.5</u>

First Six Months Operating and Corporate Expenses

(U.S. Dollars in millions)

	2007	2006
Operating Expenses	\$ 42.0	\$ 34.6
Corporate Expense	<u>8.7</u>	<u>-</u>
Total Operating & Corporate Expense	<u>\$ 50.6</u>	<u>\$ 34.6</u>

Adjusted Common Book Value



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

Summary

- Growing triple-A franchise in expanding market
- Track record of market-leading growth
- High-quality insured portfolio
- Diversified, global player in all key markets



Superior Growth and Risk-Adjusted Returns

Supporting Documents

Reconciliation of non-GAAP items

Reconciliation of Total Premiums Written to Adjusted Gross Premiums (in millions)

	Quarter ended		Six months ended	
	6/30/2007	6/30/2006	6/30/2007	6/30/2006
Total upfront premiums written	\$ 31.9	\$ 74.6	\$ 104.7	\$ 127.0
Total installment premiums written	38.8	33.0	70.9	62.8
Total premiums written	<u>70.7</u>	<u>107.6</u>	<u>175.6</u>	<u>189.8</u>
Add: present value of future installments	42.7	49.6	76.8	77.9
Adjusted gross premiums	<u>\$ 113.4</u>	<u>\$ 157.2</u>	<u>\$ 252.4</u>	<u>\$ 267.6</u>

Reconciliation of Net Premiums Earned to Core Net Premiums Earned (in millions)

	Quarter ended		Six months ended	
	6/30/2007	6/30/2006	6/30/2007	6/30/2006
Net premiums earned	\$ 54.2	\$ 55.5	\$ 100.6	\$ 93.4
Earned premiums recognized from refundings, calls and other accelerations	5.7	23.2	7.0	25.2
Core net premiums earned	<u>\$ 48.5</u>	<u>\$ 32.3</u>	<u>\$ 93.6</u>	<u>\$ 68.2</u>

Reconciliation of non-GAAP items cont'd

Reconciliation of Net Income to Operating Income and Core income (in millions)

	Quarter ended		Six months ended	
	6/30/2007	6/30/2006	6/30/2007	6/30/2006
Net Income	\$ 25.9	\$ 36.4	\$ 63.2	\$ 53.1
Net realized losses on investments	(1.7)	(10.7)	(1.5)	(16.4)
Net realized and unrealized (losses)/gains on credit derivatives	(22.2)	0.3	(29.1)	(3.5)
Preferred share dividend	4.3	-	4.3	-
Expenses incurred in secondary offering	(1.0)	-	(1.0)	-
Operating income	<u>46.4</u>	<u>46.8</u>	<u>90.5</u>	<u>73.1</u>
Income from refunding premiums	5.0	21.5	6.0	23.2
Core Income	<u>\$ 41.4</u>	<u>\$ 25.3</u>	<u>\$ 84.5</u>	<u>\$ 49.9</u>

Reconciliation of Total Common Shareholders' Equity to Adjusted Common Book Value (in millions)

	As of 6/30/07	As of 12/31/06
Total shareholders' equity	\$ 1,654.5	\$ 1,366.5
Less: preferred shareholders' equity	<u>(246.6)</u>	<u>-</u>
Total common shareholders' equity	1,407.9	1,366.5
Deferred premium revenue net of prepaid reinsurance premiums and DAC	643.0	610.0
NPVFIP	<u>440.3</u>	<u>378.8</u>
Total ABV	<u>\$ 2,491.2</u>	<u>\$ 2,355.3</u>

Non-GAAP financial measures

Comment on Regulation G

This document contains the presentation of Adjusted Gross Premiums (“AGP”), core net premiums earned, operating income, core income and Adjusted Common Book Value (“ABV”). These measures are "non-GAAP financial measures" as defined in Regulation G. The reconciliations of AGP to total premiums written, core income and operating income to net income and ABV to total shareholders' equity (the most directly comparable GAAP financial measures) presented on the previous pages 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-GAAP financial 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.

Non-GAAP financial measures

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 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 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 earnings 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. Also, AGP is considered among other factors when determining compensation to employees. 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.

Non-GAAP financial measures

Adjusted Gross Premiums (cont.)

In this regard, we believe that providing only a GAAP presentation of total premiums 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-GAAP financial information on a regular basis.

Non-GAAP Financial Measures

Core Net Premiums Earned

Core net premiums earned, which is a non-GAAP financial measure, is defined as net premiums earned excluding the impact of refundings. We believe core net premiums earned is a useful measure for management, equity analysts and investors because the presentation of core net premiums excludes the impact of refundings, calls and other accelerations that management cannot control or predict.

Non-GAAP financial measures

Operating Income and Core Income

While operating income and core income are not substitutes for net income computed in accordance with GAAP, they are useful measures of performance used by management, equity analysts and investors. We believe operating income and core income enhance the understanding of our results of operations by highlighting the underlying profitability of our business. Operating income measures net income available to common shareholders, as determined in accordance with GAAP, excluding net realized gains (losses) on investments and net realized and unrealized gains (losses) on derivative financial instruments, and expenses related to XL Capital's secondary offering of SCA's shares. In addition, in determining operating income, we have made an adjustment to the amount of dividends on our perpetual non-cumulative preference shares reported in accordance with GAAP during the period to reflect the amount of such dividends that would be attributable to the period as if such dividends were accrued ratably over the period. Core income represents operating income excluding the impact of refundings, calls and other accelerations. The definitions of operating income and core income used by the Company may differ from definitions of operating income and core income used by other financial guarantors.

Net realized gains and (losses) on investments and net realized and unrealized gains and losses on derivative financial instruments (which principally consist of credit derivatives we issue and interest rate swap contracts we guarantee) are excluded from operating income because they are heavily influenced by, and fluctuate, 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 investment income (or loss) and realized gains (or losses) on investments is an integral part of our operations, the determination to realize gains (or losses) on investments is independent of the underwriting process.

Non-GAAP financial measures

Operating Income and Core Income (cont.)

In addition, under applicable 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 net gains (or losses) on investments 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 gains (or losses) on investments is largely opportunistic. In addition, with respect to credit derivatives and guaranteed interest rate swap contracts discussed above, because we generally hold such contracts to maturity and, accordingly, will not realize the periodic effect of the changes in fair value of these instruments, therefore, we exclude such changes from operating income (similar to other companies in the financial guarantee industry) as the changes in fair value each quarter are not indicative of underlying business performance of our operations. In regard to the adjustment discussed above relating to dividends on our perpetual non-cumulative preference shares, while such dividends are non-cumulative and are at the discretion of the board of directors, we anticipate that such dividends will be declared and we believe that this adjustment better correlates the cost of this capital to the benefits derived there from during the period. Also, in determining operating income for the three and six month periods ended June 30, 2007, we excluded from operating income expenses incurred by the Company in connection with the secondary offering of our common shares by XL Capital as such expenses are not related to the conduct of the Company's business.

Non-GAAP financial measures

Adjusted Common Book Value

Adjusted Common Book Value represents GAAP book value attributable to common shareholders plus the after-tax effects of deferred premium revenue, net of prepaid reinsurance premiums and deferred acquisition costs, plus the after-tax effect of the net present value of future installment premiums. Since the Company expects these items to affect future results and, in general, they do not require any additional future performance obligation on the Company's part, ABV provides an indication of the Company's value in the absence of any new business activity. While ABV is not a substitute for GAAP book value, the Company believes the presentation of ABV provides another useful measure of the value of the Company for management, equity analysts and investors. The net present value of future installment premiums included in ABV may differ materially from actual future installment premiums collected due to changes in market interest rates, refinancing activity, pre-payment speeds, defaults, and other factors that management cannot control or predict.

In summary, we believe that presenting both GAAP and the aforementioned non-GAAP financial measures enable investors and other users of our financial information to analyze our performance in a manner similar to how our management analyzes performance. Also, as stated above, we believe that analysts, investors and rating agencies that follow us (and the financial guarantee insurance industry as a whole) include these items in their analyses for the same reasons previously discussed, and they request that we provide this non-GAAP financial information on a regular basis.