



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



Third Quarter 2007 Summarized Results

SECURITY CAPITAL ASSURANCE

Important Notice

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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 the fair value of the credit default swaps that we issue, which we are required to report at fair value under applicable accounting rules. Since the date of our latest issued financial statement, credit spreads widened (which is not indicative of a deterioration in the credit quality of our credit default swap portfolio or any increase in management’s expected losses thereon), which will likely result in an adverse change in fair value in our portfolio of credit default swaps;
- 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

The information herein provides a general summary of SCA and its business and does not purport to be a complete description of the company or its financial condition. Certain simplifications and approximations were made to such information to facilitate the calculations herein. Accordingly, neither SCA nor any of its respective affiliates makes any representations or warranties, express or implied, as to the accuracy or completeness of the information contained herein (or the validity, completeness or accuracy of assumptions underlying any estimates contained herein), nor assumes any duty to update or revise any of the statements contained herein, whether as a result of new information, future developments or otherwise.

Earnings Summary

Third Quarter Earnings

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

	2007	2006
Net (Loss) Income	\$ (89.9)	\$ 28.4
EPS (diluted) ¹	\$ (1.40)	\$ 0.49
Operating Income	\$ 46.0	\$ 31.8
Operating Income EPS (diluted)	\$ 0.72	\$ 0.55
Core Income	\$ 41.1	\$ 31.5
Core Income EPS (diluted)	\$ 0.64	\$ 0.54
Weighted-average diluted shares outstanding (thousands)	64,256	58,095

First Nine Months Earnings

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

	2007	2006
Net (Loss) Income	\$ (26.7)	\$ 81.5
EPS (diluted) ¹	\$ (0.42)	\$ 1.63
Operating Income	\$ 136.5	\$ 104.9
Operating Income EPS (diluted)	\$ 2.12	\$ 2.09
Core Income	\$ 125.6	\$ 82.1
Core Income EPS (diluted)	\$ 1.95	\$ 1.64
Weighted-average diluted shares outstanding (thousands)	64,321	50,160

¹Because we reported net losses for the three and the nine months ended September 30, 2007, under GAAP we cannot take into consideration dilutive securities when calculating a net loss per share.

Adjusted Gross Premiums (AGP) Summary

Third Quarter AGP (U.S. Dollars in millions)	2007	2006
U.S. Public Finance	\$ 34.6	\$ 17.5
U.S. Structured Finance	52.4	39.6
International	<u>54.2</u>	<u>34.2</u>
Total	<u>\$ 141.1</u>	<u>\$ 91.3</u>

First Nine Months AGP (U.S. Dollars in millions)	2007	2006
U.S. Public Finance	\$ 90.0	\$ 127.8
U.S. Structured Finance	152.3	100.4
International	<u>151.2</u>	<u>130.6</u>
Total	<u>\$ 393.5</u>	<u>\$ 358.9</u>

Premiums Written/Assumed Summary

Third Quarter Premiums Written/Assumed

(U.S. Dollars in millions) **2007** **2006**

Gross Premiums Written	\$ 88.1	\$ 65.1
Reinsurance Premiums Assumed	<u>22.6</u>	<u>20.5</u>
Total Premiums Written	110.8	85.6
Ceded Premiums	<u>(25.5)</u>	<u>14.9</u>
Net Premiums Written	<u>\$ 85.2</u>	<u>\$ 100.5</u>

First Nine Months Premiums Written/Assumed

(U.S. Dollars in millions) **2007** **2006**

Gross Premiums Written	\$ 242.8	\$ 235.2
Reinsurance Premiums Assumed	<u>43.6</u>	<u>40.2</u>
Total Premiums Written	286.4	275.4
Ceded Premiums	<u>(54.3)</u>	<u>1.2</u>
Net Premiums Written	<u>\$ 232.1</u>	<u>\$ 276.6</u>

Net and Core Premiums Earned Summary

Third Quarter Net and Core Premiums Earned

(U.S. Dollars in millions)	2007	2006
U.S. Public Finance	\$ 11.2	\$ 8.9
U.S. Structured Finance	26.5	18.3
International	<u>20.5</u>	<u>18.2</u>
Net Premiums Earned	58.2	45.5
Earned premiums recognized from refundings, calls and other accelerations	<u>(5.0)</u>	<u>(0.4)</u>
Core Net Premiums Earned	<u>\$ 53.1</u>	<u>\$ 45.1</u>

First Nine Months Net and Core Premiums Earned

(U.S. Dollars in millions)	2007	2006
U.S. Public Finance	\$ 38.0	\$ 39.5
U.S. Structured Finance	65.4	52.4
International	<u>55.4</u>	<u>46.9</u>
Net Premiums Earned	158.7	138.8
Earned premiums recognized from refundings, calls and other accelerations	<u>(12.0)</u>	<u>(25.6)</u>
Core Net Premiums Earned	<u>\$ 146.7</u>	<u>\$ 113.2</u>

Investment Income & Operating Cash Flow

Third Quarter

Investment Income

(U.S. Dollars in millions)

	2007	2006
Net Investment Income	\$ 31.6	\$ 21.8

Net Realized Gains
(Losses) on Investments

0.0 (0.2)

First Nine Months

Investment Income

(U.S. Dollars in millions)

	2007	2006
Net Investment Income	\$ 88.0	\$ 53.0

Net Realized Losses on
Investments

(1.5) (16.6)

Third Quarter

Operating Cash Flow

(U.S. Dollars in millions)

	2007	2006
Cash Flow from Operations	\$ 99.3	\$ 113.7

First Nine Months

Operating Cash Flow

(U.S. Dollars in millions)

	2007	2006
Cash Flow from Operations	\$ 200.4	\$ 259.6

Net Losses & Loss Adjustment Expenses (LAE) Summary

Third Quarter Net Losses and LAE

(U.S. Dollars in millions)	2007	2006
Net Unallocated Loss Reserve Expense	\$ 6.2	\$ 4.9
Case Loss (Benefit) Provision	-	0.1
LAE Provision	<u>1.1</u>	<u>-</u>
Net Losses and Loss Adjustment Expenses	<u>\$ 7.4</u>	<u>\$ 5.0</u>

First Nine Months Net Losses and LAE

(U.S. Dollars in millions)	2007	2006
Net Unallocated Loss Reserve Expense	\$ 12.1	\$ 9.9
Case Loss (Benefit) Provision	(3.7)	0.8
LAE Provision	<u>1.1</u>	<u>0.6</u>
Net Losses and Loss Adjustment Expenses	<u>\$ 9.6</u>	<u>\$ 11.3</u>

Operating & Corporate Expenses Summary

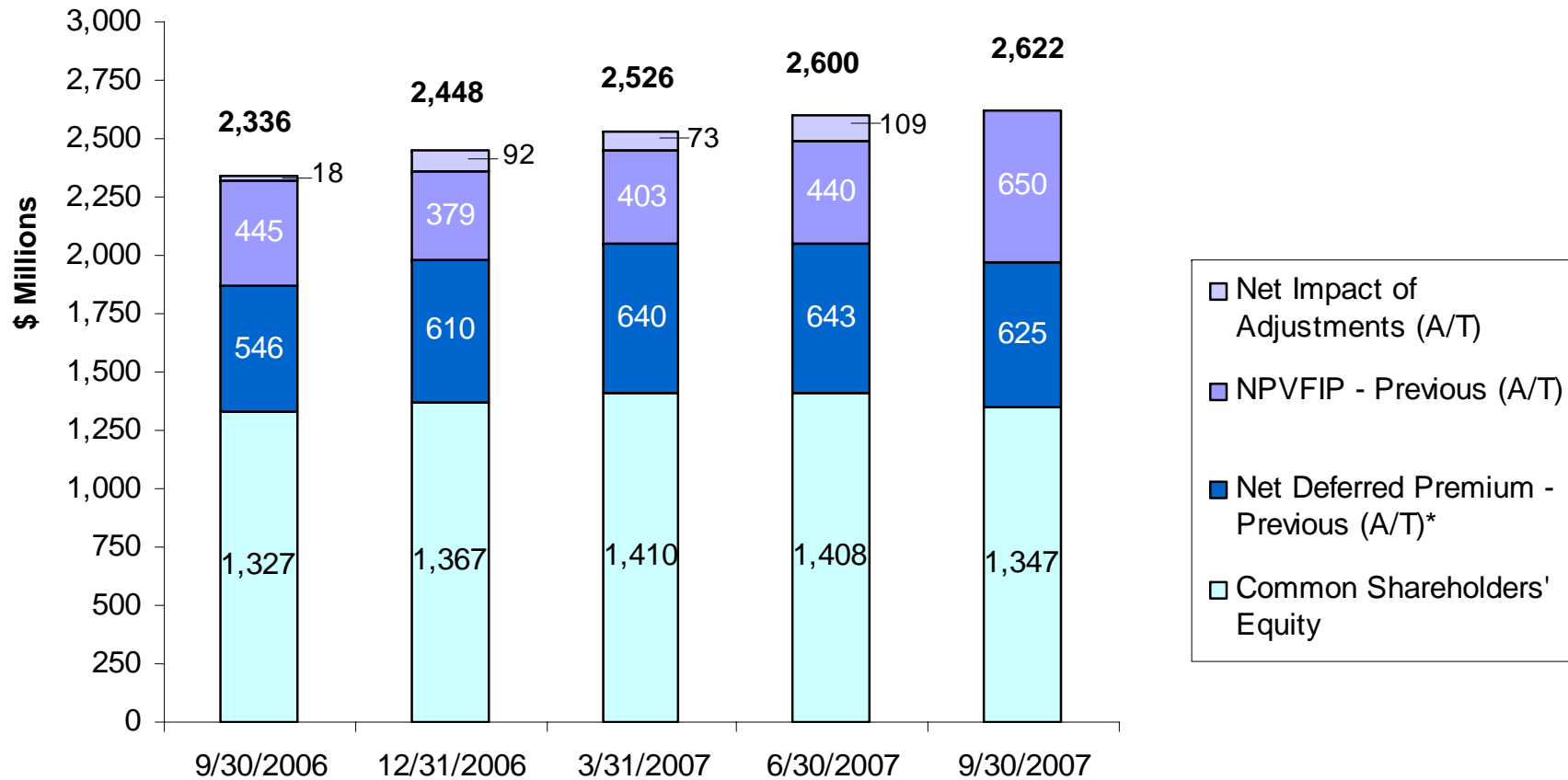
Third Quarter Operating and Corporate Expenses

(U.S. Dollars in millions)	2007	2006
Operating Expenses	\$ 21.8	\$ 18.1
Corporate Expense	<u>3.8</u>	<u>2.7</u>
Total Operating & Corporate Expense	<u>\$ 25.6</u>	<u>\$ 20.9</u>

First Nine Months Operating and Corporate Expenses

(U.S. Dollars in millions)	2007	2006
Operating Expenses	\$ 63.8	\$ 52.7
Corporate Expense	<u>12.5</u>	<u>2.7</u>
Total Operating & Corporate Expense	<u>\$ 76.2</u>	<u>\$ 55.4</u>

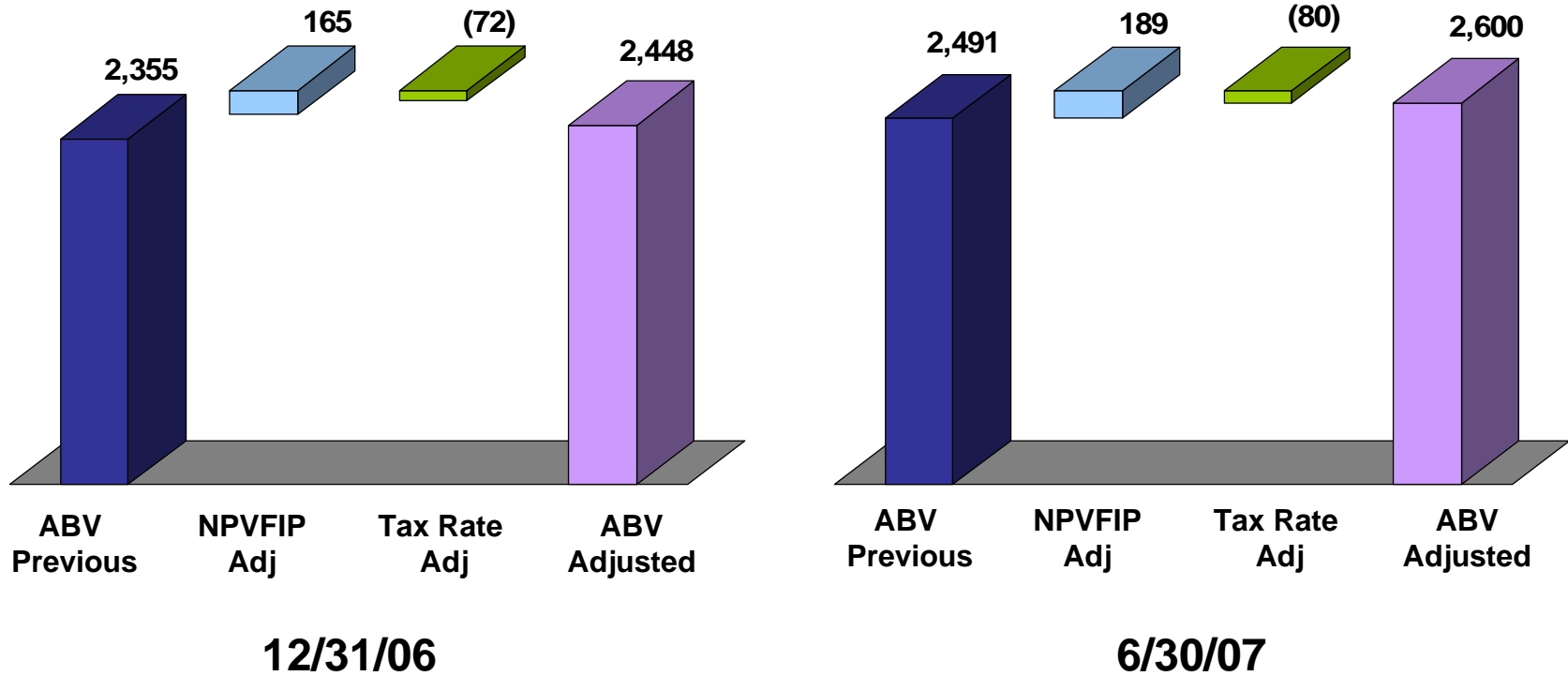
Adjusted Book Value



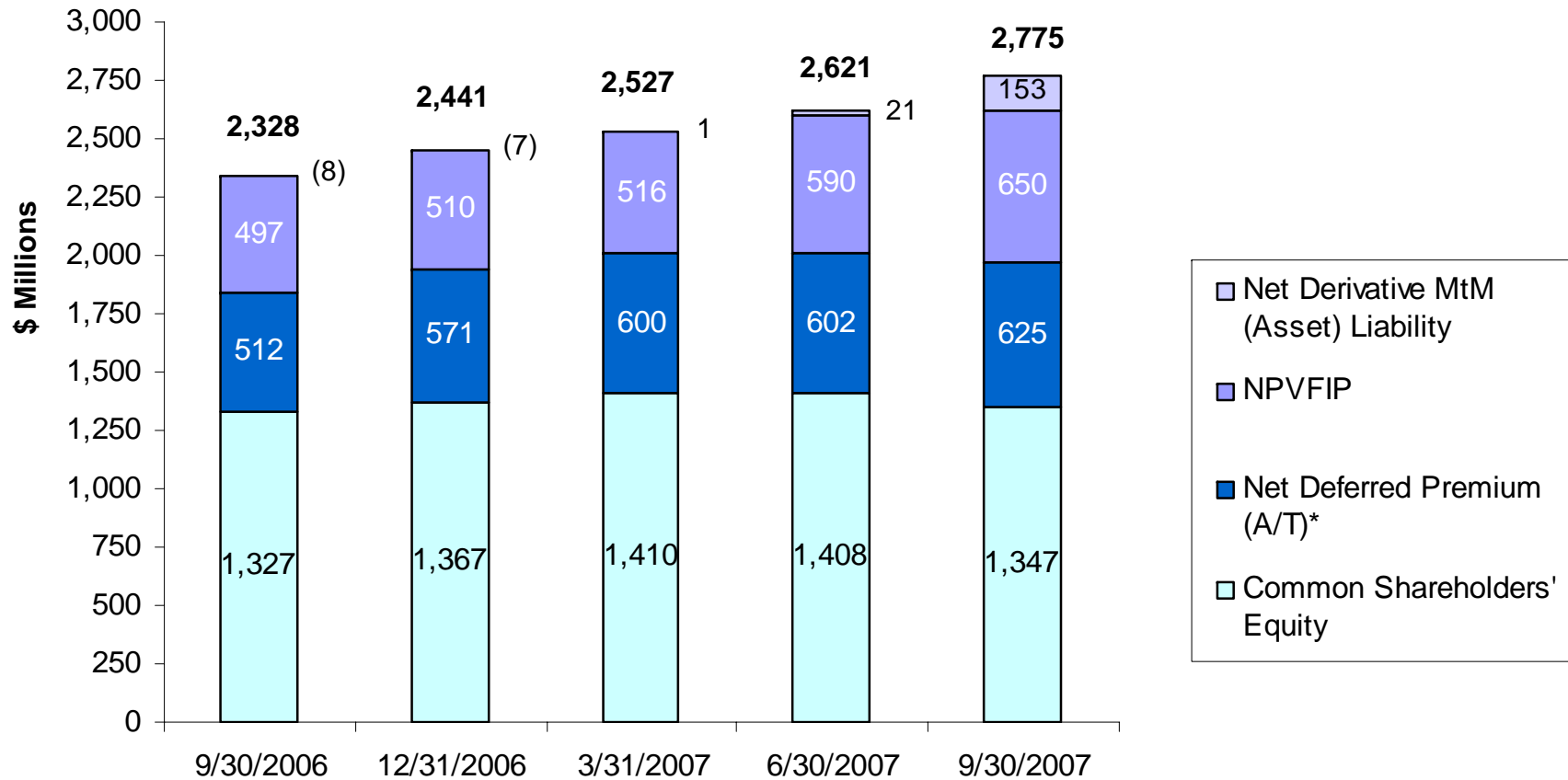
* Deferred premium revenue net of pre-paid reinsurance premiums and DAC, net of tax

Adjusted Book Value – Impact of Adjustments

\$ Millions



Adjusted Book Value – Excluding Impact of Derivative MtM



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

Summary

- Continued strong operating performance as measured by:
 - Production
 - Core earned premium growth
 - Operating and core income growth
- Platform remains well positioned to capitalize on current market opportunities
- High-quality insured portfolio with weighted-average credit quality of AA-
- Diversified, global player in all key markets

Superior Growth and Risk-Adjusted Returns

Supporting Documents

SECURITY CAPITAL ASSURANCE

Reconciliation of Non-GAAP Items

Reconciliation of Total Premiums Written to Adjusted Gross Premiums

	Three Months Ended		Nine Months Ended	
	9/30/2007	9/30/2006	9/30/2007	9/30/2006
Total upfront premiums written	\$ 68.0	\$ 47.1	\$ 172.8	\$ 174.2
Total installment premiums written	42.8	38.5	113.6	101.2
Total premiums written	110.8	85.6	286.4	275.4
Present value of future installments	30.3	5.7	107.1	83.5
Adjusted gross premiums	<u>\$ 141.1</u>	<u>\$ 91.3</u>	<u>\$ 393.5</u>	<u>\$ 358.9</u>

Reconciliation of Net Premiums Earned to Core Net Premiums Earned

	Three Months Ended		Nine Months Ended	
	9/30/2007	9/30/2006	9/30/2007	9/30/2006
Net premiums earned	\$ 58.2	\$ 45.5	\$ 158.7	\$ 138.8
Earned premium recognized from refundings, calls and other accelerations	(5.0)	(0.4)	(12.0)	(25.6)
Core net premiums earned	<u>\$ 53.1</u>	<u>\$ 45.1</u>	<u>\$ 146.7</u>	<u>\$ 113.2</u>

Reconciliation of Non-GAAP Items, Cont'd

Reconciliation of Net (Loss) Income to Operating Income and Core Income

	Three Months Ended		Nine Months Ended	
	9/30/2007	9/30/2006	9/30/2007	9/30/2006
Net (loss) income available to common shareholders	\$ (89.9)	\$ 28.4	\$ (26.7)	\$ 81.5
Effect of:				
Expenses incurred in secondary offering	(0.1)	-	0.8	-
Perpetual non-cumulative preference share dividend	4.3	-	-	-
Net realized (gains) losses on investments	(0.0)	0.2	1.5	16.6
Net realized and unrealized losses on derivative financial instruments	131.7	3.2	160.8	6.8
Operating Income	46.0	31.8	136.5	104.9
Effect of refundings, calls and other accelerations	(4.9)	(0.3)	(10.9)	(22.7)
Core Income	<u>\$ 41.1</u>	<u>\$ 31.5</u>	<u>\$ 125.6</u>	<u>\$ 82.1</u>

Reconciliation of Total Shareholders' Equity to Common Shareholders' Equity and Adjusted Book Value (ABV)

	As of 9/30/07	As of 12/31/06
Total shareholders' equity	\$ 1,594.0	\$ 1,366.5
Series A perpetual non-cumulative preference shares	(246.6)	-
Common shareholders' equity	1,347.4	1,366.5
After-tax value of:		
Deferred premium revenue	807.8	708.4
Present value of future installment premiums	650.0	509.8
Deferred acquisition costs	(95.5)	(83.5)
Prepaid reinsurance premiums	(87.6)	(53.4)
Adjusted book value	<u>\$ 2,622.1</u>	<u>\$ 2,447.8</u>

Non-GAAP Financial Measures

Comment on Regulation G

This press release contains the presentation of AGP, core net premiums earned, operating income, core income and ABV. These measures are "non-GAAP financial measures" as defined in Regulation G. The reconciliations of total premiums written to AGP; net premiums earned to core net premiums earned; net (loss) income available to common shareholders to operating income and core income; and total shareholders' equity to common shareholders' equity and ABV (the most directly comparable 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-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 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 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, calls and other accelerations. 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 (loss) income available to common shareholders, as determined in accordance with GAAP, excluding net realized gains (losses) on investments and the after-tax impact of 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 after-tax 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 earnings and core earnings used by other financial guarantors.

Net realized gains and (losses) on investments and the after-tax impact of 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 (loss) and realized gains (losses) on investments is an integral part of our operations, the determination to realize gains (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 (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 (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 nine- month periods ended September 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 Book Value

Adjusted Book Value (“ABV”) 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.