



AN ASSURED GUARANTY COMPANY

Introducing Municipal Assurance Corp.

MACmunibonds.com

Revised on 11/4/13

**MUNICIPAL
ASSURANCE
CORP.**

Forward-Looking Statements and Safe Harbor Disclosure

- This presentation contains information that includes or is based upon forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements give the expectations or forecasts of future events of Municipal Assurance Corp. ("MAC"). These statements can be identified by the fact that they do not relate strictly to historical or current facts and relate to future operating or financial performance. Any or all of MAC's forward-looking statements herein are based on current expectations and the current economic environment and may turn out to be incorrect. MAC's actual results may vary materially. Among factors that could cause actual results to differ materially are (1) rating agency action, including a ratings downgrade, a change in outlook, the placement of ratings on watch for downgrade, or a change in rating criteria, at any time, of MAC and/or of transactions that MAC has insured; (2) developments in the financial and capital markets, including changes in interest rates, that adversely affect the demand for MAC's insurance, issuers' payment rates, MAC's loss experience, its access to capital, its unrealized (losses) gains on derivative financial instruments or its investment returns; (3) changes in the credit markets, segments thereof or general economic conditions; (4) the impact of rating agency action with respect to sovereign debt and the resulting effect on the value of securities in MAC's investment portfolio; (5) the impact of market volatility on the mark-to-market of derivative contracts insured by MAC; (6) reduction in the amount of insurance opportunities available to MAC; (7) the possibility that budget shortfalls or other factors will result in credit losses or impairments on obligations of state and local governments that MAC insures or reinsures; (8) increased competition, including from new entrants into the financial guaranty industry; (9) changes in applicable accounting policies or practices; (10) changes in applicable laws or regulations, including insurance and tax laws; (11) other governmental actions; (12) difficulties with the execution of MAC's business strategy; (13) contract cancellations; (14) loss of key personnel; (15) adverse technological developments; (16) natural or man-made catastrophes; (17) other risks and uncertainties that have not been identified at this time; (18) management's response to these factors; and (19) other risk factors identified in the filings of Assured Guaranty Ltd. (together with its subsidiaries, the "Company") with the U.S. Securities and Exchange Commission (the "SEC").
- The foregoing review of important factors should not be construed as exhaustive, and should be read in conjunction with the other cautionary statements that are included in the Company's Form 10-K and 10-Q filings. The Company undertakes no obligation to update publicly or review any forward-looking statement, whether as a result of new information, future developments or otherwise, except as required by law. Investors are advised, however, to consult any further disclosures the Company makes on related subjects in the Company's periodic reports filed with the SEC. The statements in this presentation are made as of July 22, 2013.
- If one or more of these or other risks or uncertainties materialize, or if the Company's (including MAC's) underlying assumptions prove to be incorrect, actual results may vary materially from those projected. Any forward-looking statements in the presentation reflect MAC's current views with respect to future events and are subject to these and other risks, uncertainties and assumptions relating to its operations, results of operations, growth strategy and liquidity.
- For these statements, the Company claims the protection of the safe harbor for forward-looking statements contained in Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act").

Conventions and Disclaimer

- Unless otherwise noted, the following conventions are used in this presentation:
 - Ratings on MAC's insured portfolio constitute its internal ratings. Although MAC's ratings scale is similar to that used by the nationally recognized statistical rating organizations, the ratings may not be the same as ratings assigned by any such rating agency.
 - Ratings on MAC's investment portfolio is the lower of the ratings from Moody's Investors Service, Inc. ("Moody's") or Standard & Poor's Ratings Services ("S&P").
 - Percentages and totals in tables or graphs may not add due to rounding.
- The materials in this presentation do not constitute advice with respect to any municipal financial products, or the issuance of any municipal securities, including with respect to the structuring, timing or terms of any such financial products or issuances. You should not rely on such material to make any decision with respect to these topics. Neither we nor any of our affiliates is acting as your advisor in connection with any municipal financial product or any issuance of municipal securities. We encourage you to consult your own financial and legal advisors and to make your own independent investigation regarding any municipal financial product and the structure, timing and terms of any issuance of municipal securities. Municipal financial product includes any municipal derivative, guaranteed investment contract, plan or program for the investment of the proceeds of municipal securities, or the recommendation and brokerage of municipal escrow investments.
- MAC is not licensed to transact insurance business in all jurisdictions, including California, and the insurance products and services described in this presentation may not be available to all potential customers or investors. This presentation is for informational purposes only and does not constitute an offer to sell or a solicitation to buy any insurance product or service in any jurisdiction where MAC is not licensed and authorized to write insurance. Please see page 10 for a list of the states where MAC is licensed and authorized to write insurance.

MUNICIPAL ASSURANCE CORP.

A new, municipal-only bond insurer with the positive attributes it takes most start-up companies years to establish.

On Day 1, Municipal Assurance Corp. (MAC) has:

- \$1.5 billion in claims-paying resources, consisting of approximately \$800 million in statutory capital and \$709 million in unearned premium reserves (UPR);
- a \$111 billion insured municipal portfolio that is geographically diversified and entirely investment grade;
- a \$1.5 billion investment portfolio;
- high financial strength ratings, with a AA+ (stable outlook) from Kroll Bond Rating Agency (Kroll) and a AA- (stable outlook) from S&P;
- conservative and well defined underwriting standards;
- a high level of transparency; and
- the advantages of sharing Assured Guaranty's proven resources.

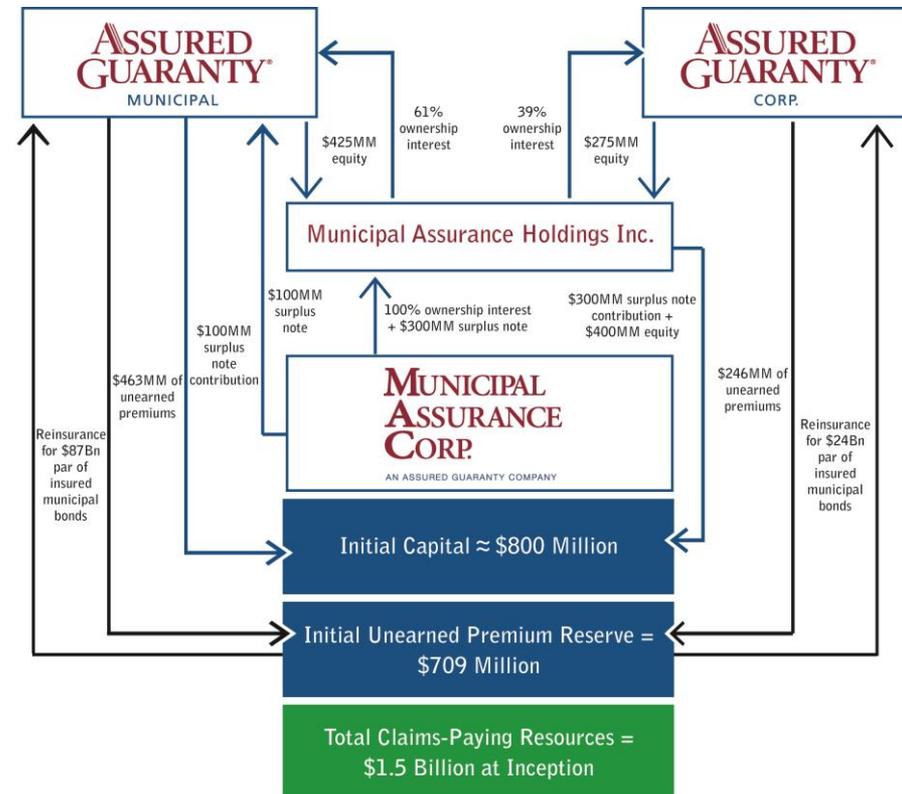
MAC shares Assured Guaranty's human capital and corporate infrastructure and is therefore fully operational.

Note: All numbers are presented on a statutory basis except for par amounts, which are presented on a GAAP basis. Statutory capital is pretax.

Capitalization of MAC

Unlike a typical start-up, MAC began with significant investment income and predictable future earned revenue built-in.

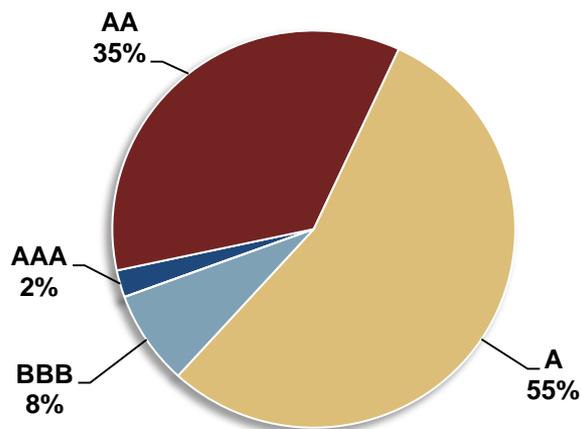
- **MAC was initially capitalized to approximately \$800 million through cash and securities contributed by Assured Guaranty Municipal Corp. (AGM) and Assured Guaranty Corp. (AGC)**
 - AGM contributed \$425 million in return for a 61% ownership stake in Municipal Assurance Holdings Inc. (MAC Holdings)
 - AGC contributed \$275 million in return for a 39% ownership stake in MAC Holdings
 - MAC Holdings, as the 100% owner of MAC, contributed cash and securities to increase MAC's policyholders' surplus to \$400 million and also purchased a \$300 million, 0% surplus note with no maturity issued by MAC
 - AGM purchased a 20-year \$100 million, 5% surplus note issued by MAC
- **AGM and AGC also ceded \$111 billion in par to MAC along with the associated \$709 million in unearned premium reserves (UPR)**
 - AGM ceded \$87 billion in par along with the associated \$463 million in UPR
 - AGC ceded \$24 billion in par along with the associated \$246 million in UPR
- **MAC has total claims-paying resources of \$1.5 billion**



Note: All numbers are presented on a statutory basis except for par amounts, which are presented on a GAAP basis. Initial capital contributions are pretax.

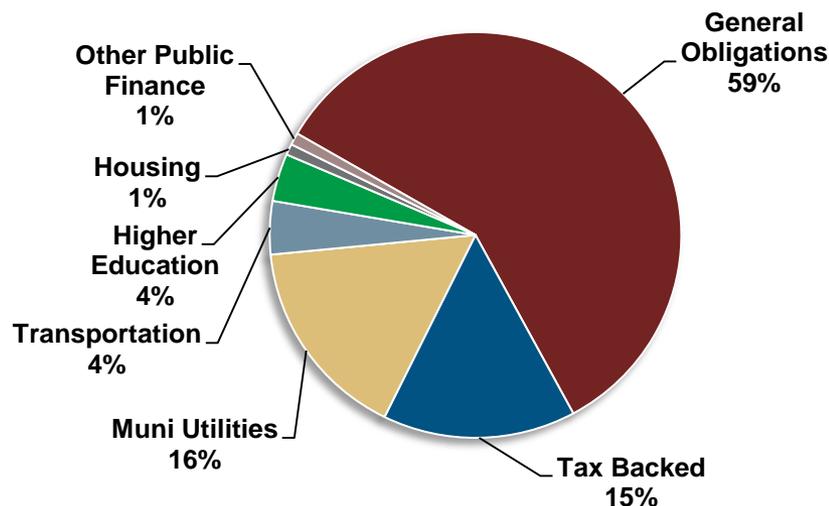
Portfolio Ratings

Net Par Outstanding
As of June 30, 2013¹



Portfolio Diversification

Net Par Outstanding
As of June 30, 2013¹



MAC assumed a 100% investment grade, municipal-only portfolio from AGM and AGC.

MAC's Insured Portfolio

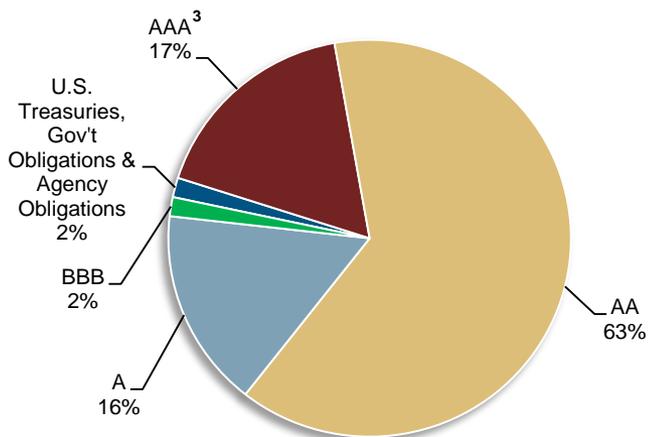
\$111 billion in par

92% of par rated in the A category or higher

1. The transaction whereby AGM and AGC ceded exposure to MAC was effective July 1, 2013; however, the transaction referenced June 30, 2013 exposure amounts.

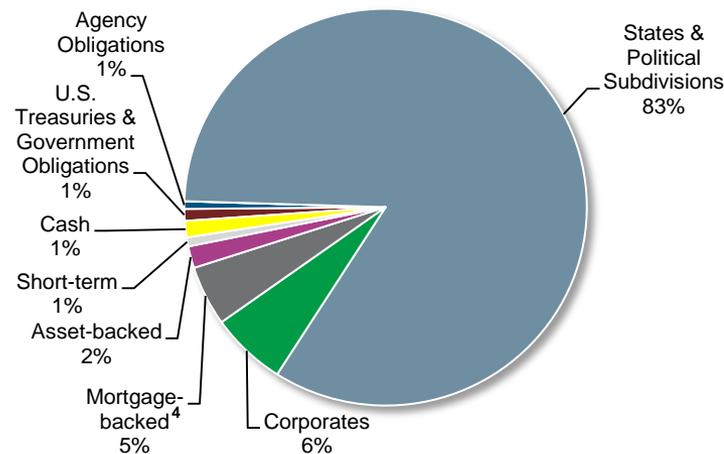
Investments Available for Sale and Cash by Ratings^{1,2}

Fair Value
As of July 16, 2013



Investments Available for Sale and Cash by Category

Fair Value
As of July 16, 2013



With a \$1.5 billion investment portfolio, MAC will have significant investment income.

1. Includes fixed maturity securities, short-term investments and cash.

2. Ratings are represented by the lower of the Moody's and S&P classifications.

3. Includes all short-term securities and cash.

4. Included in the mortgage-backed category are agency-backed securities with a fair value of \$16 million. The remaining securities have a fair value of \$58 million and an average rating of AA+.

<i>As of July 22, 2013</i>	Kroll	S&P
	AA+ Stable Outlook	AA- Stable Outlook

- **Kroll Bond Rating Agency (Kroll) assigned MAC an insurer financial strength rating of AA+ (stable outlook)**
 - Kroll’s rating methodology for bond insurers focuses primarily on “i) an assessment of the company’s management, strategy and organization; ii) an evaluation and modeling of its insured portfolio and ability to pay claims in run-off; and iii) an analysis of its claims-paying resources and overall financial profile”
 - In its report, Kroll states that it “typically subjects a financial guarantor to stresses consistent with a AAA rating. At this stress level, MAC can cover modeled claims and expenses”
 - Kroll concludes that “MAC is expected to benefit from a seasoned management team, well established policies and procedures adopted from Assured, a ceded portfolio providing a reliable earnings stream and coverage of modeled claims and expenses at the highest stress level”
- **S&P assigned MAC a financial strength rating of AA- (stable outlook)**
 - In its research update, S&P states that it believes “MAC will maintain investment-grade underwriting standards and a strong competitive position in the new-issue U.S. public finance market”
 - S&P also states that “we expect MAC, on a stand-alone basis, to have a capital adequacy ratio well in excess of 1.0x”; this means that MAC has capital “well in excess” of the amount needed to withstand S&P’s modeled stress losses at the AAA level

MAC employs Assured Guaranty's proven U.S. public finance credit selection and underwriting criteria.

- **MAC will insure only U.S. municipal bonds that S&P classifies in its lowest risk categories, Category 1 and Category 2, and that further meet our strict underwriting standards**
- **MAC intends to target transactions in the range of \$1 million to \$100 million in par**
- **The general underwriting criteria and processes are the same for MAC, AGM, and AGC**
 - Underlying credit quality of insured transactions must be investment grade

S&P Risk Category 1	S&P Risk Category 2
<ul style="list-style-type: none">• General obligations• Tax-backed: sales, income, gas• Utilities: water, sewer, solid waste• Public universities	<ul style="list-style-type: none">• Tax-backed: general fund or appropriation pledge• Utilities: public power, gas• Transportation

MAC benefits significantly from being a subsidiary of Assured Guaranty, a proven industry leader and publicly traded company.

Specific Assured Guaranty Benefits

- **MAC shares Assured Guaranty's:**
 - Seasoned executive officers and senior managers
 - Proven risk management and underwriting discipline
 - Experience in surveillance and remediation
 - Established accounting, legal, and information technology infrastructure
- **Management's commitment to policyholders has been proven**
 - When the trustee of AGM-insured Jefferson County sewer warrants declined to draw on AGM's policy despite an issuer payment shortfall, AGM made a claim payment directly to DTC for distribution to warrant holders
- **Surveillance's ability to detect and mitigate issues early on, as well as process timely claim payments when required, has also been proven**

Public Company Specific Benefits

- **As a public company, Assured Guaranty is held to higher legal standards of disclosure, oversight, and financial transparency (by the Securities and Exchange Commission as well as the New York Stock Exchange) than non-public companies**
- **Assured Guaranty has access to capital, which includes both debt and equity markets**

- **With \$1.5 billion in claims-paying resources, built-in earnings from day one, and two ratings in the double-A category, MAC is a unique muni-only choice in bond insurance**
 - It meets the needs of investors who prefer an insurer with a proven business model
 - As another strong Assured Guaranty company, it can provide issuers, especially smaller ones, enhanced market access and interest cost savings

MAC should expand the market for municipal bond insurance and Assured Guaranty's leadership position in the municipal bond insurance industry.

- **In addition to the market segment on which MAC focuses, AGM & AGC each have additional target markets to which they bring their own particular strengths**
 - AGM insures more categories of U.S. municipal bonds as well as international public finance transactions
 - AGC, as the most diversified platform, insures the same categories as AGM as well as specific sectors within the U.S. and international structured finance market

Municipal Assurance Corp. Contacts:

Robert Tucker
Managing Director
Investor Relations and Corporate Communications
Direct: 212.339.0861
rtucker@assuredguaranty.com

Michael Walker
Managing Director
Fixed Income Investor Relations
Direct: 212.261.5575
mwalker@assuredguaranty.com

Glenn Alterman
Associate
Investor Relations
Direct: 212.339.0854
galterman@assuredguaranty.com

Introducing Municipal Assurance Corp.

**MUNICIPAL
ASSURANCE
CORP.**