Municipal Assurance Corp. (MAC) Investor Presentation

June 30, 2014

MACmunibonds.com

MUNICIPAL ASSURANCE CORP.

Forward-Looking Statements and Safe Harbor Disclosure

MUNICIPAL ASSURANCE CORP.

- 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) reduction in the amount of available insurance opportunities and/or in the demand for MAC's insurance; (3) developments in the financial and capital markets that adversely affect obligors' payment rates or MAC's loss experience; (4) 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; (5) increased competition, including from new entrants into the financial guaranty industry; (6) rating agency action on obligors, including sovereign debtors, resulting in a reduction in the value of securities in MAC's investment portfolio; (7) the inability of MAC to access external sources of capital on acceptable terms; (8) changes in the credit markets, segments thereof, interest rates or general economic conditions; (9) the impact of market volatility on the mark-to-market of derivative contracts insured by MAC; (10) changes in applicable accounting policies or practices; (11) changes in applicable laws or regulations, including insurance and tax laws; (12) other governmental actions; (13) difficulties with the execution of MAC's business strategy; (14) contract cancellations; (15) loss of key personnel; (16) adverse technological developments; (17) natural or man-made catastrophes; (18) other risks and uncertainties that have not been identified at this time; (19) management's response to these factors; (20) 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 or Form 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 reports filed with the SEC. The statements in this presentation are made as of September 5, 2014.
- 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 this 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 the insured portfolio are MAC's internal credit ratings. Internal credit ratings are expressed on a ratings scale similar to that used by the rating agencies and are generally reflective of an approach similar to that employed by the rating agencies. Exposures rated below investment grade are designated "BIG".
  - Ratings on the investment portfolio are 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 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 or an offer to buy any insurance product or service in any jurisdiction where MAC is not licensed and authorized to write insurance. MAC is currently licensed in 48 states and the District of Columbia and has applied for licensing in Alabama and New Mexico.

Introduction

MUNICIPAL ASSURANCE CORP.

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

Launched in July of 2013, Municipal Assurance Corp. (MAC) has:

- $2.0 billion in claims-paying resources, consisting of $861 million in statutory capital, $634 million in unearned premium reserves (UPR), and $450 million in excess-of-loss reinsurance[1];
- a $98 billion insured U.S. municipal-only portfolio that is geographically diversified;
- a $1.5 billion investment portfolio;
- strong 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; and
- a high level of transparency, including the publication of Credit Summaries for primary-market insured transactions.

MAC benefits from Assured Guaranty's human capital, experience and business infrastructure and is therefore fully operational.

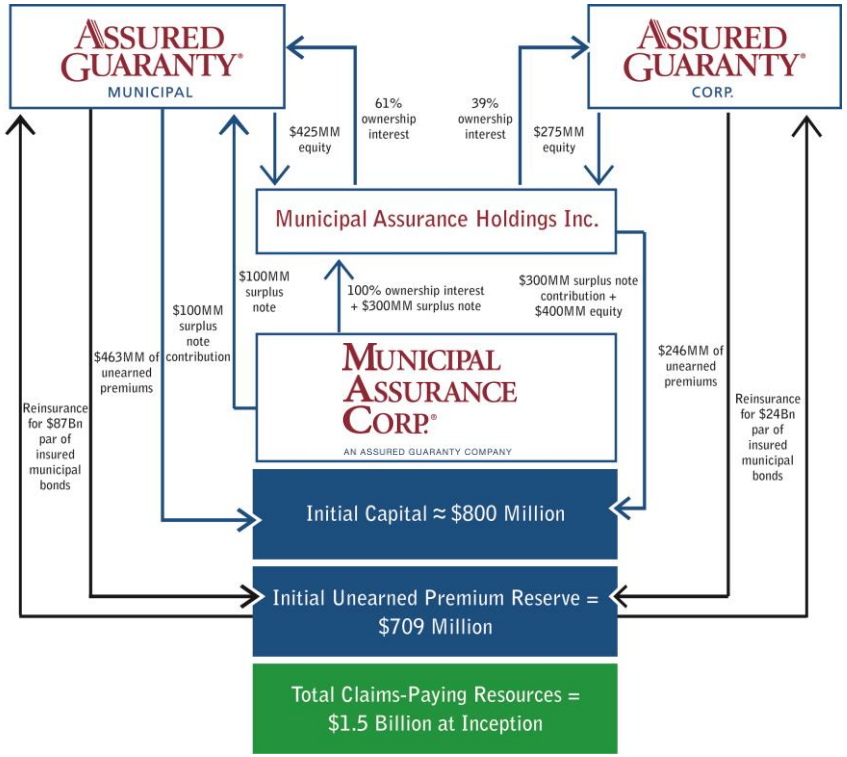
Note: As of June 30, 2014. All numbers are presented on a statutory basis except for par amounts, which are presented on a GAAP basis.

1. Represents an aggregate $450 million excess-of-loss reinsurance facility for the benefit of MAC, Assured Guaranty Municipal Corp. and Assured Guaranty Corp., which became effective January 1, 2014. The facility terminates on January 1, 2016, unless MAC, Assured Guaranty Municipal Corp. and Assured Guaranty Corp. choose to extend it.

Initial 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, in July 2013, to approximately $800 million through cash and securities contributed by Assured Guaranty Municipal Corp. (Assured Guaranty Municipal) and Assured Guaranty Corp. (AGC)**
  - Assured Guaranty Municipal 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, non-interest bearing surplus note, with no maturity, issued by MAC
  - Assured Guaranty Municipal purchased a 20-year $100 million, 5% surplus note issued by MAC
- **Assured Guaranty Municipal and AGC also ceded $111 billion in par to MAC along with the associated $709 million in unearned premium reserves (UPR)**
  - Assured Guaranty Municipal 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



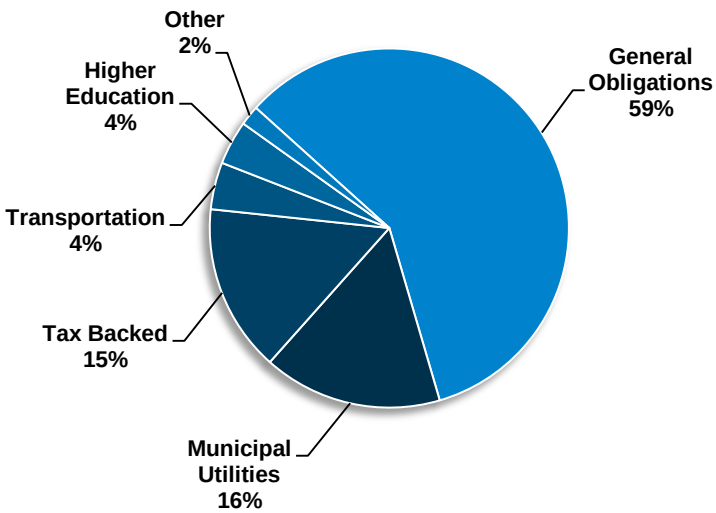
Note: All numbers are presented on a statutory basis except for par amounts, which are presented on a GAAP basis. Initial capital contributions are pretax.

Insured Portfolio

MUNICIPAL ASSURANCE CORP.

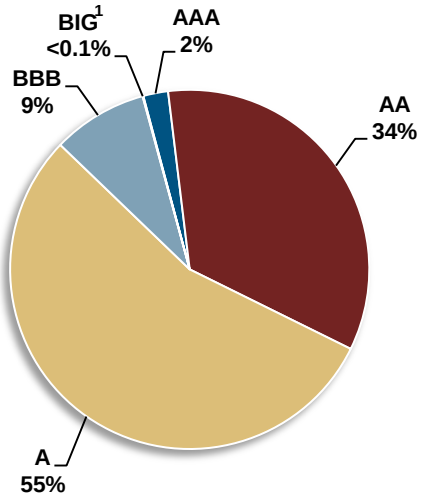
Portfolio Diversification by Sector

Net Par Outstanding
As of June 30, 2014



Portfolio Diversification by Rating

Net Par Outstanding
As of June 30, 2014



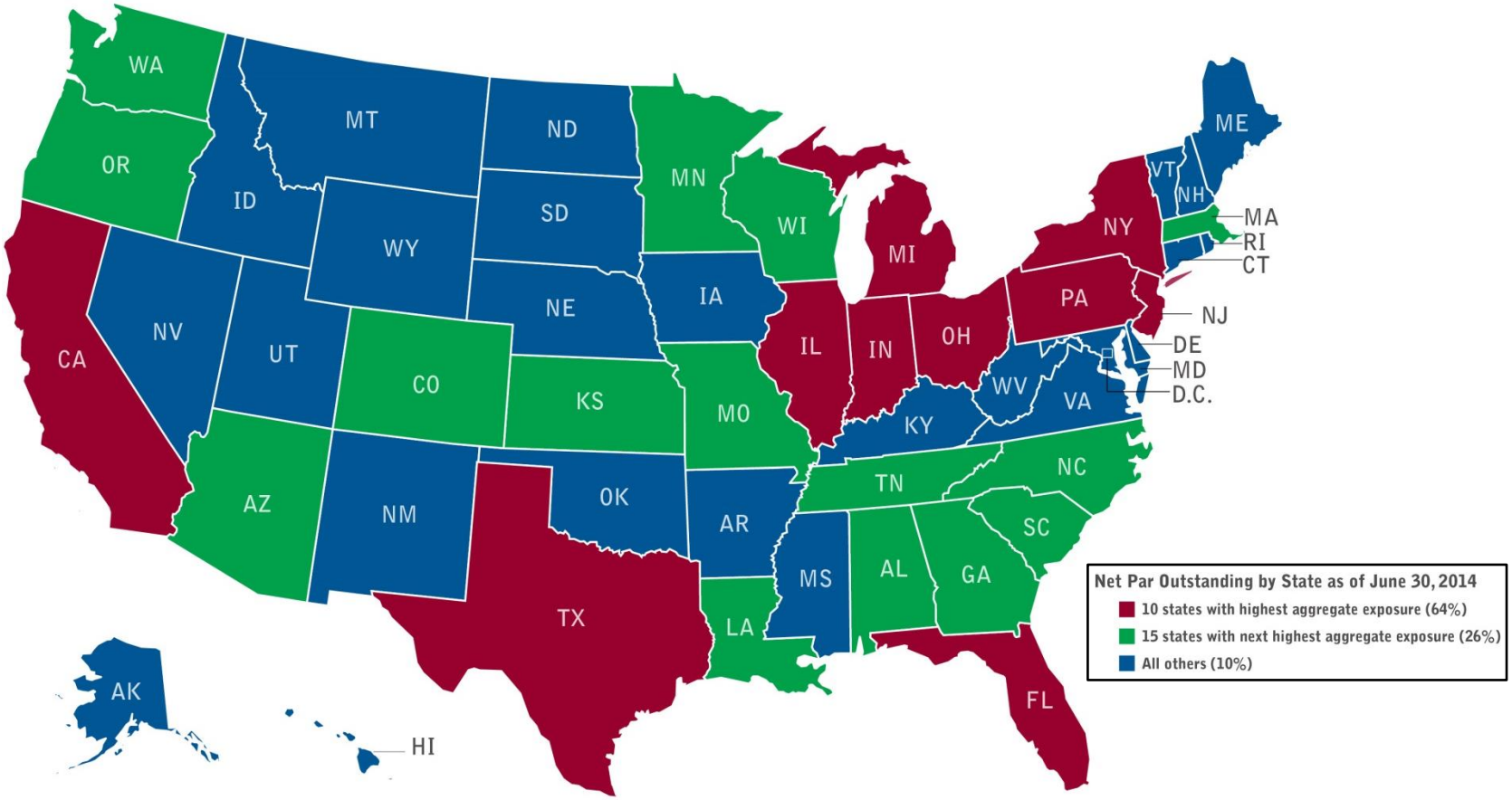
MAC has an insured portfolio of $98 billion in par, 91% of which is rated in the A category or higher.

1. A total of $64 million net par outstanding; consists of three revenue sources rated BB+ from the general obligation and transportation sectors.

Insured Portfolio (Continued)

MUNICIPAL ASSURANCE CORP.

MAC's exposure is geographically diversified.

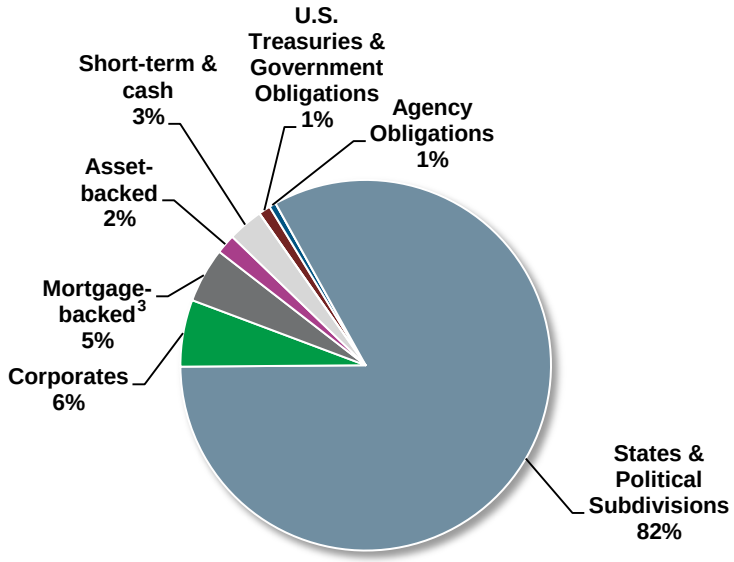


MAC has exposure to municipalities in all 50 states and the District of Columbia.

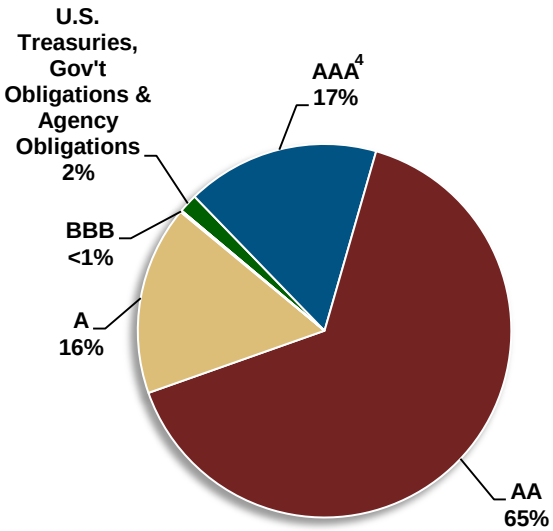
Investment Portfolio

MUNICIPAL ASSURANCE CORP.

Investments Available for Sale and Cash[1]
By Category
Fair Value
As of June 30, 2014



Investments Available for Sale and Cash[1,2]
By Rating
Fair Value
As of June 30, 2014

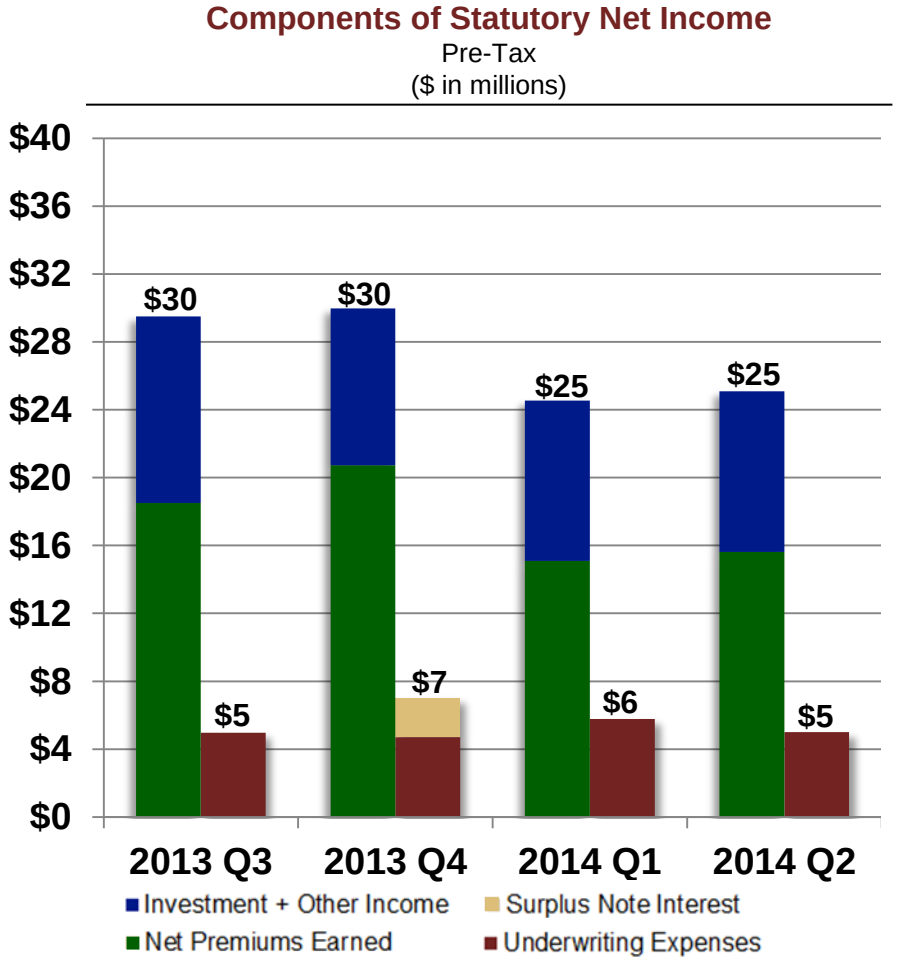


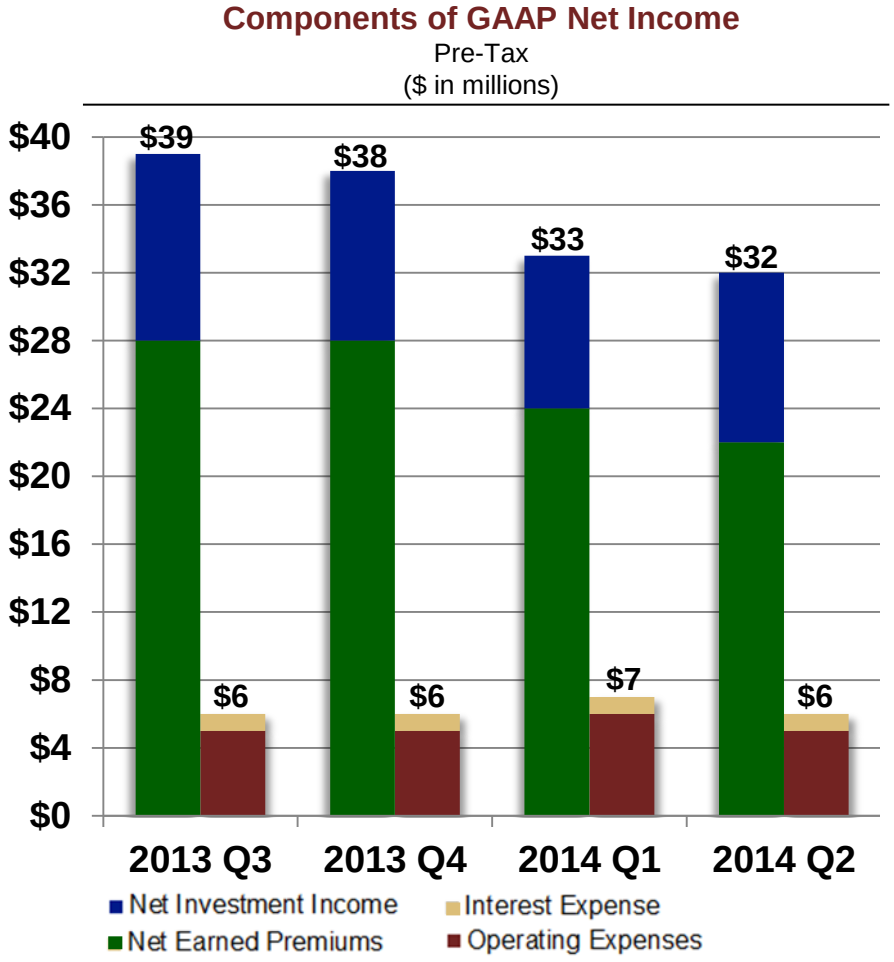
With a $1.5 billion investment portfolio, MAC generates significant investment income.

1. Includes fixed maturity securities, short-term investments and cash. The duration of the fixed maturity securities and short-term investments is 5.2 years.
2. Ratings are represented by the lower of the Moody's and S&P classifications.
3. Included in the mortgage-backed category are agency-backed securities with a fair value of $21 million. The remaining securities have a fair value of $52 million and an average rating of AAA.
4. Included in the AAA category are short-term securities and cash.

Financial Results

MUNICIPAL ASSURANCE CORP.





In each of the four quarters since its launch, MAC's revenues exceeded its expenses by at least four times, under both statutory and GAAP accounting methodologies.

Financial Strength Ratings

MUNICIPAL ASSURANCE CORP.

AA+
Stable Outlook
Kroll Bond Rating Agency

AA
Stable Outlook
Standard & Poor's Ratings Services

As of September 5, 2014

- **Kroll Bond Rating Agency (Kroll) affirmed MAC's insurer financial strength rating of AA+ (stable outlook) on August 4, 2014**
  - 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 most recent report on MAC, Kroll states that its "financial model assesses the ability of MAC's claims paying resources, together with interest earnings, to pay all of these [modeled] loss payments plus other expenses in a run off scenario. MAC passes this component of the KBRA analysis at a AAA level."
  - Kroll concludes that "MAC's AA+ rating, Stable Outlook, is a function of the conservative features built into the company's foundation."
- **S&P upgraded the financial strength rating of MAC to AA (stable outlook) on March 18, 2014**
  - S&P affirmed its rating on July 2, 2014

Underwriting Criteria

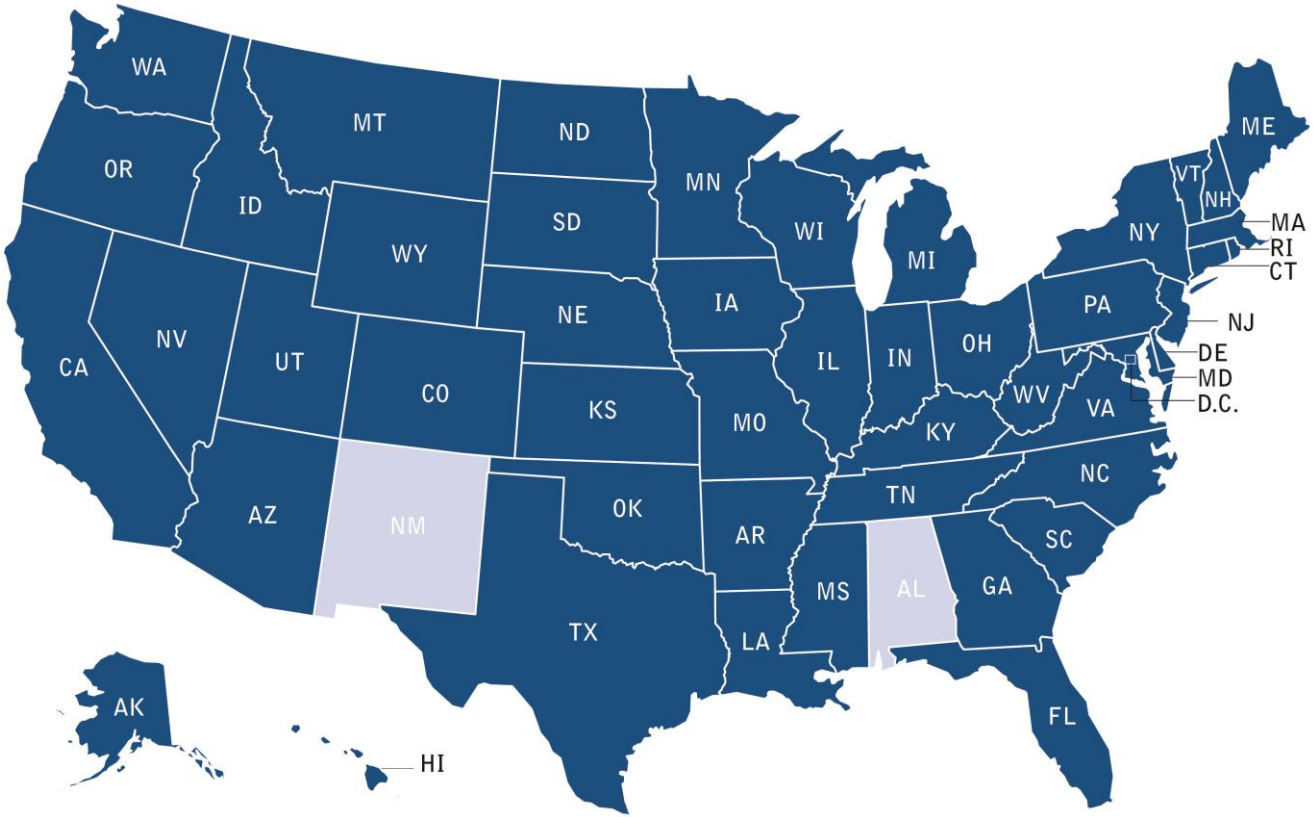
MUNICIPAL ASSURANCE CORP.

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

- **MAC insures only U.S. municipal bonds, primarily small and medium-size issues in select categories, such as G.O. and tax-backed bonds and public electric, water, sewer and transportation revenue bonds**
  - Bond issues must also meet our strict underwriting standards and diversification requirements
- **MAC targets transactions in the range of $1 million to $100 million in par**
- **The general underwriting criteria and processes are the same for MAC, Assured Guaranty Municipal, and AGC**
  - Underlying credit quality of insured transactions must be investment grade

State License Status

MAC is able to offer insurance in 48 states + the District of Columbia and is pursuing licenses in the remaining states.



Licensing Status by State as of July 25, 2014

- Licensed and authorized to offer insurance
- Not currently licensed

Transparency

- **A detailed list of every credit MAC insures is available at MACmunibonds.com**
  - Data provides portfolio transparency
  - Updated quarterly to reflect newly written business and amortization of existing exposure
- **Credit Summaries are published for primary-market insured transactions**
  - Contains a summary of the bond issue as well as key data disclosed by the obligor
  - Helps dealers and investors assess and monitor a transaction's underlying credit quality
  - Located on MAC's website
- **Quarterly GAAP financial supplements, in addition to the statutory financial statements required of all insurance companies, are posted on MAC's website**
- **Any dividends by MAC are subject to New York insurance law restrictions and any surplus note payments are subject to regulatory approval**

MUNICIPAL ASSURANCE CORP.
AN ASSURED GUARANTY COMPANY

Municipal Assurance Corp.
Credit Summary

GENERAL OBLIGATION

Obligor Name	City of Port Jervis
Series	2013
State	NY
County	Orange
Sector	General Obligation
Security	The Bonds are General Obligations of the City of Port Jervis, New York, and will contain a pledge of the faith and credit of the City. The Bonds are payable from ad valorem taxes which may be levied upon all taxable real property within the City.
Use of Proceeds	The Bonds are being issued to provide original financing for various projects in the City.
Par Insured	$3,185,433
Dated Date	9/12/2013
EMMA Link	http://emma.msrb.org/IssueView/IssueDetails.aspx?id=EA348439
Obligor Link	http://portjervisny.org/
Last Audit Date	12/31/2012

CUSIP	Maturity Date	Coupon	Principal Insured	Insurer	First Redemption Date	Redemption Price
734540KA4	9/1/2015	4.000%	$120,433	MAC		
734540KB2	9/1/2016	4.000%	$130,000	MAC		
734540KC0	9/1/2017	4.000%	$130,000	MAC		
734540KD8	9/1/2018	4.000%	$135,000	MAC		
734540KE6	9/1/2019	4.000%	$135,000	MAC		
734540KF3	9/1/2020	4.000%	$140,000	MAC		
734540KG1	9/1/2021	4.000%	$145,000	MAC		
734540KH9	9/1/2022	4.000%	$150,000	MAC	9/1/2022	100%
734540KJ5	9/1/2023	4.000%	$155,000	MAC	9/1/2022	100%
734540KK2	9/1/2024	4.000%	$160,000	MAC	9/1/2022	100%
734540KL0	9/1/2025	4.000%	$165,000	MAC	9/1/2022	100%
734540KM8	9/1/2026	4.000%	$170,000	MAC	9/1/2022	100%
734540KN6	9/1/2027	4.000%	$180,000	MAC	9/1/2022	100%
734540KP1	9/1/2028	4.125%	$190,000	MAC	9/1/2022	100%
734540KQ9	9/1/2029	4.250%	$195,000	MAC	9/1/2022	100%
734540KR7	9/1/2030	4.375%	$205,000	MAC	9/1/2022	100%
734540KS5	9/1/2031	4.500%	$215,000	MAC	9/1/2022	100%
734540KT3	9/1/2032	4.500%	$225,000	MAC	9/1/2022	100%
734540KU0	9/1/2033	4.500%	$240,000	MAC	9/1/2022	100%

CREDIT FEATURES	2012	2011	2010
KEY RATIOS			
Debt			
Direct Debt as % of Full Value	1.6%	1.6%	1.5%
Direct Debt Per Capita ($)	798	854	851
Debt Service, Pensions & OPEB Payments as % of Governmental Expenses	16.4%	16.5%	15.7%
Finances - General Fund			
Surplus (Deficit) as % of Expenditures	1.1%	(3.0%)	0.2%
Balance as % of Expenditures	19.7%	19.0%	23.3%
Days Cash on Hand	35.1	10.4	62.1
Tax Base			
Full Value Per Capita ($)	49,850	53,662	56,799
Full Value 5 Year % Change			
Top 5 Taxpayers as % of Taxable Assessed Value			
Median Household Income as % of National Median*	78.0%	75.9%	82.7%
ADDITIONAL OBLIGOR INFORMATION			
Debt ($000)			
Total Direct Debt	6,967	7,503	7,511
Net Direct Debt	6,910	7,431	7,435
Reported Unfunded Pension & OPEB Liabilities			
Finances ($000)			
Income Statement - General Fund			
Total Revenues	11,051	10,520	10,310
Total Expenditures	11,087	10,835	10,202
Net Surplus (Deficit) post-transfers	126	(323)	17
Income Statement - All Governmental Funds			
Total Debt Service Payments	1,206	1,263	1,309
Total Contributions to Pensions & OPEB	1,491	1,498	1,318
Balance Sheet - General Fund			
General Fund Balance	2,181	2,055	2,379
Total Cash & Investments	1,065	310	1,735
Economic & Demographic Information			
Population*	8,726	8,791	8,828
School Enrollment			
Full Value of Taxable Property ($000)	434,990	471,742	501,421
Median Household Income* ($)	40,063	40,063	42,938
Unemployment Rate**	7.9%	7.8%	7.8%

* Refers to City of Port Jervis, New York.
** Refers to Orange County, New York.

The Assured Guaranty Advantage

MUNICIPAL ASSURANCE CORP.

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

Specific Assured Guaranty Benefits

- **MAC benefits from 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 insured Jefferson County sewer warrants declined to draw on Assured Guaranty Municipal's policy despite an issuer payment shortfall, Assured Guaranty Municipal made a claim payment directly to DTC for distribution to warrant holders
- **The surveillance department's ability to detect and mitigate issues early on, as well as to process timely claim payments when required, has also been proven**

Specific Public-Company 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**

Why MAC Was Launched

MUNICIPAL ASSURANCE CORP.

- **With $2.0 billion in claims-paying resources[1], 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 help issuers of mid-size and smaller bond transactions by lowering borrowing costs and enhancing market access

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, Assured Guaranty Municipal & AGC each have additional target markets to which they bring their own particular strengths**
  - Assured Guaranty Municipal insures more categories of U.S. municipal bonds and will insure larger transactions as well as international public finance transactions
  - AGC, as the most diversified platform, insures the same categories as Assured Guaranty Municipal as well as selected sectors within the U.S. and international structured finance market

1. Includes $450 million in excess of loss reinsurance, which represents an aggregate $450 million excess-of-loss reinsurance facility for the benefit of MAC, Assured Guaranty Municipal and AGC. The facility became effective January 1, 2014 and terminates on January 1, 2016, unless MAC, Assured Guaranty Municipal and AGC choose to extend it.

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