Municipal Assurance Corp. (MAC) Investor Presentation

September 30, 2015

MACmunibonds.com

MUNICIPAL ASSURANCE CORP.

Forward-Looking Statements and Safe Harbor Disclosure

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- 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 adversely 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 and their related authorities and public corporations 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, bankruptcy and tax laws; (12) other governmental actions; (13) difficulties with the execution of MAC's business strategy; (14) loss of key personnel; (15) natural or man-made catastrophes; (16) other risks and uncertainties that have not been identified at this time; (17) management's response to these factors; (18) 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.
- 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, except that the Company's credit ratings focus on future performance, rather than lifetime performance. 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.

Benefits of Municipal Bond Insurance

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MAC bond insurance provides durable investment protection in a number of ways, including:

- **Timely payment of all principal and interest if the issuer defaults**
  - There is no need for individual investors to file claims
- **An unconditional and irrevocable guaranty of payment regardless of the reason for default**
  - Whether a payment is missed because of a bankruptcy filing, a simple accounting error made by a municipality, or for any other reason, bond insurance will make investors whole
- **Professional credit selection and underwriting**
  - MAC-insured bonds have been pre-selected for soundness by the guarantor's trained underwriters, who have the resources to evaluate the unique risks of each issue and, in many cases, can negotiate stronger terms and conditions before the bonds are issued
- **Enhanced market value and market liquidity**
  - Although bond insurance does not guarantee a particular market value or liquidity, distressed issuers' bonds insured by highly rated guarantors have historically held their trading value better than comparable uninsured issues
- **Surveillance of the obligor's financial condition for the life of the bond**
  - MAC has a professional surveillance staff whose job is to keep tabs on the issuers of the insured bonds
- **Early intervention to prevent problems in the first place**
  - In many cases, the professional surveillance staff spot trouble ahead of time and can call upon, or even require, the municipality to take remedial steps before a default looms
- **Management of default-related matters**
  - Insured bondholders don't have to deal with the prolonged negotiations and litigation such situations can involve

Why MAC
The Assured Guaranty Advantage

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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

- **MAC is a subsidiary of a public company that is subject to New York Stock Exchange and Securities and Exchange Commission regulation and therefore held to higher legal standards of disclosure, oversight, and transparency than non-public companies**
- **Assured Guaranty has access to capital, which includes both debt and equity markets**

Why MAC
Strong Financial Strength Ratings

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AA+
Stable Outlook
Kroll Bond Rating Agency

AA
Stable Outlook
Standard & Poor's Ratings Services

As of December 24, 2015

- **Kroll Bond Rating Agency (Kroll) affirmed MAC's insurer financial strength rating of AA+ (stable outlook) on August 3, 2015**
  - 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 ran a stress analysis at a AAA capital level and concluded that "MAC was able to pay all claims and expenses in full and on time under this scenario with a comfortable balance remaining."
  - Kroll concludes that "MAC's AA+ rating, Stable Outlook, is a function of the conservative features built into the company's foundation."
- **On June 29, 2015, S&P affirmed the AA (stable outlook) financial strength rating of MAC**
  - In its most recent report, which covers MAC as well as other Assured Guaranty subsidiaries, S&P cites the group's "strong competitive position, built on a proven track record of credit discipline and market leadership position" and "experienced management team that continues demonstrating a strong understanding of various risks the company faces" as part of the rationale for the AA rating

Why MAC

Proven Business Model and Management Team

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- **Municipal Assurance Corp. (MAC) provides municipal bond insurance for the most popular types of municipal bonds**
- **When you buy a municipal bond insured by MAC, MAC guarantees you will receive every interest and principal payment on time and in full**
- **MAC is a subsidiary of Assured Guaranty Ltd.**
  - Assured Guaranty Ltd. is a publicly traded company listed on the New York Stock Exchange under the ticker symbol AGO
  - Assured Guaranty Ltd., together with its subsidiaries including MAC, is known simply as Assured Guaranty
- **Assured Guaranty is the leading financial guaranty franchise**
  - Assured Guaranty has been insuring municipal bonds for over 30 years and has the greatest combined claims-paying resources in the financial guaranty industry
- **In 2013, Assured Guaranty launched MAC to meet demand from investors who prefer insurance from a company that guarantees only U.S. municipal bonds**
  - Prior to MAC, there was no insurer with a proven business model addressing this need
- **MAC is licensed and offers municipal bond insurance in all 50 states and D.C.**

While municipal bond defaults have been rare, they do occur; major municipalities, such as Detroit, MI; Jefferson County, AL; and Stockton, CA have declared and exited bankruptcy

Assured Guaranty-insured bondholders were fully protected in these and several other instances of default

Why MAC
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**

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.

Why MAC
Underwriting Criteria

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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 as for the other primary Assured Guaranty subsidiaries, AGM and AGC**
  - Underlying credit quality of insured transactions must be investment grade
- **When underwriting new transactions, we also consider:**
  - The nature and priority of the obligation and security provided (for example, the full faith and credit of the issuer, a pledge of specific revenues or a pledge of taxes)
  - The essential nature and exclusivity of the franchise or service
  - The financial condition and liquidity of the issuer, e.g., pension funding obligations and exposure to variable rate debt and related interest rate swaps
  - Economic and demographic conditions and trends that will affect the issuer's ability to pay its debt
  - Litigation claims against the obligor
  - The political and legal environment

MAC
Insured Portfolio (100% U.S. Public Finance)
Net Par Outstanding as of September 30, 2015

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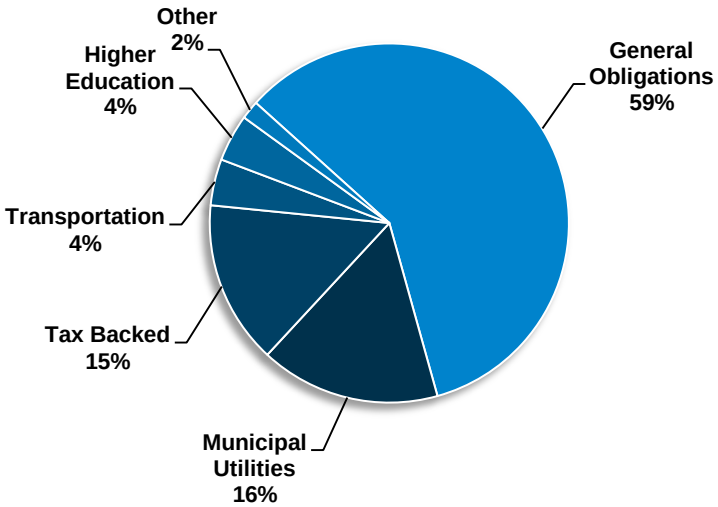
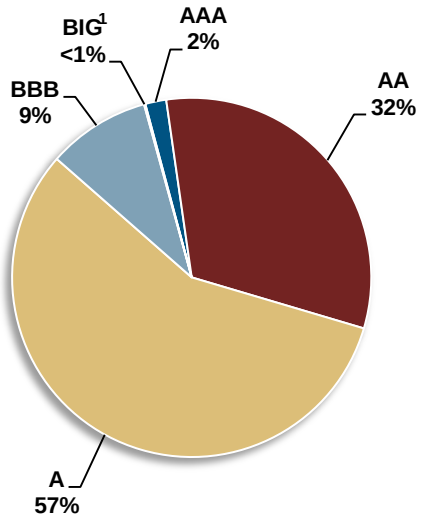
Portfolio Diversification by Sector



Portfolio Diversification by Rating

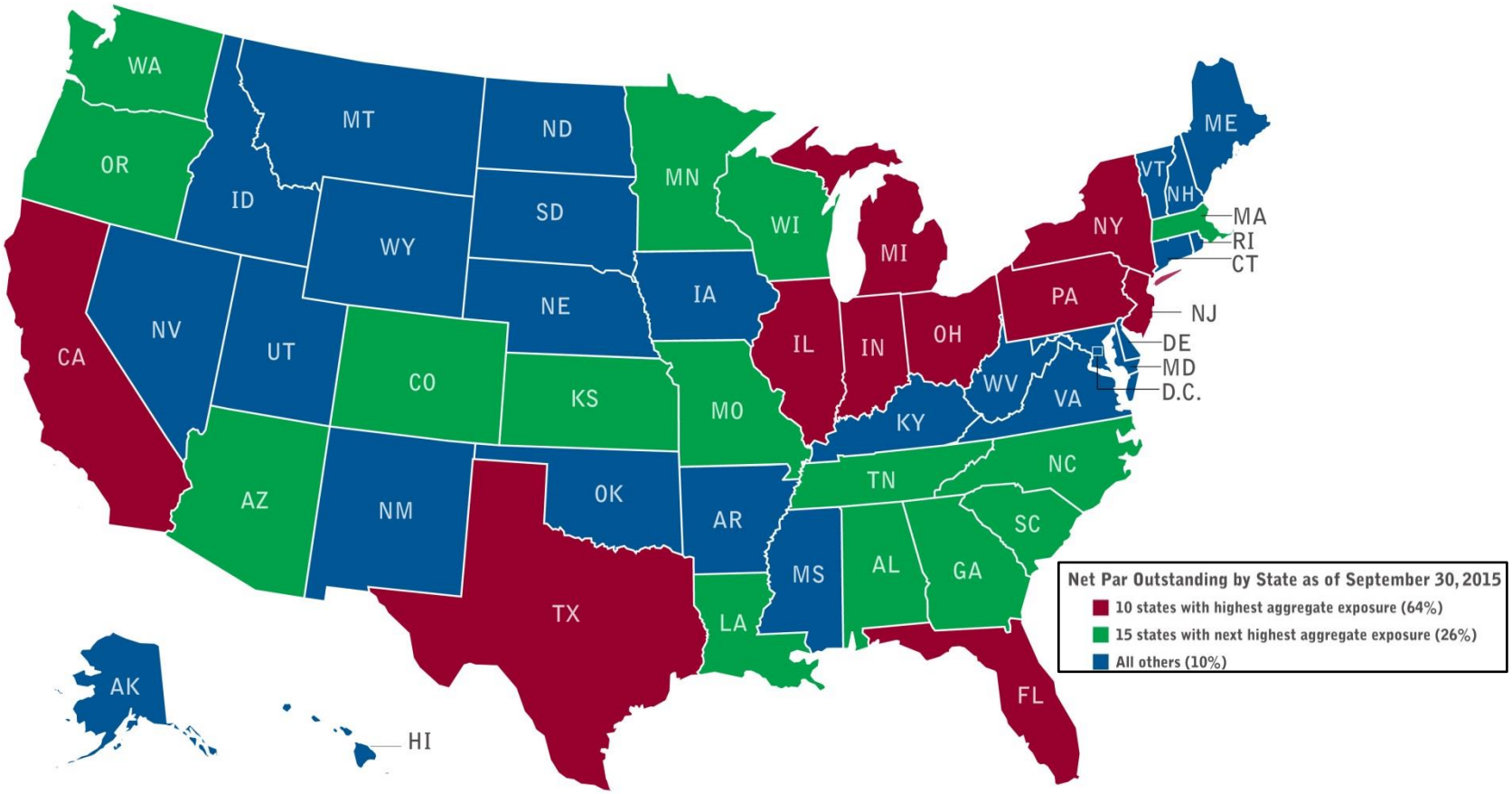


MAC has an insured portfolio of $78 billion in par, 91% of which is rated in the A category or higher.

1. A total of $90 million net par outstanding; consists of six revenue sources rated in the BB category.

MAC
Insured Portfolio (Continued)

MAC's exposure is geographically diversified.



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

MAC
Investment Portfolio
Fair Value as of September 30, 2015

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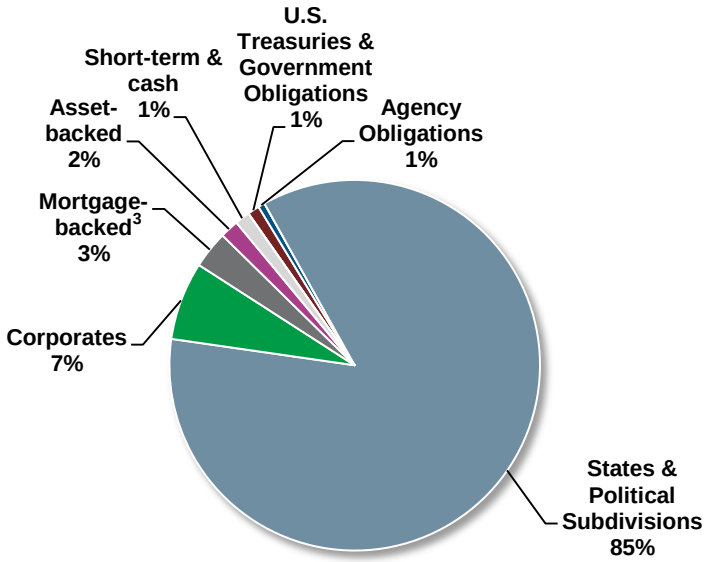
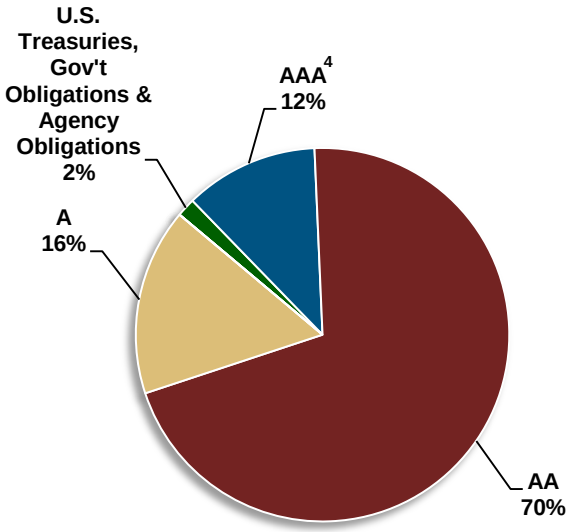
Investments Available for Sale and Cash[1] By Category



Investments Available for Sale and Cash[1,2] By Rating



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 4.7 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 $24 million. The remaining securities have a fair value of $27 million and an average rating of AAA.
4. Included in the AAA category are short-term securities and cash.

Financial Results

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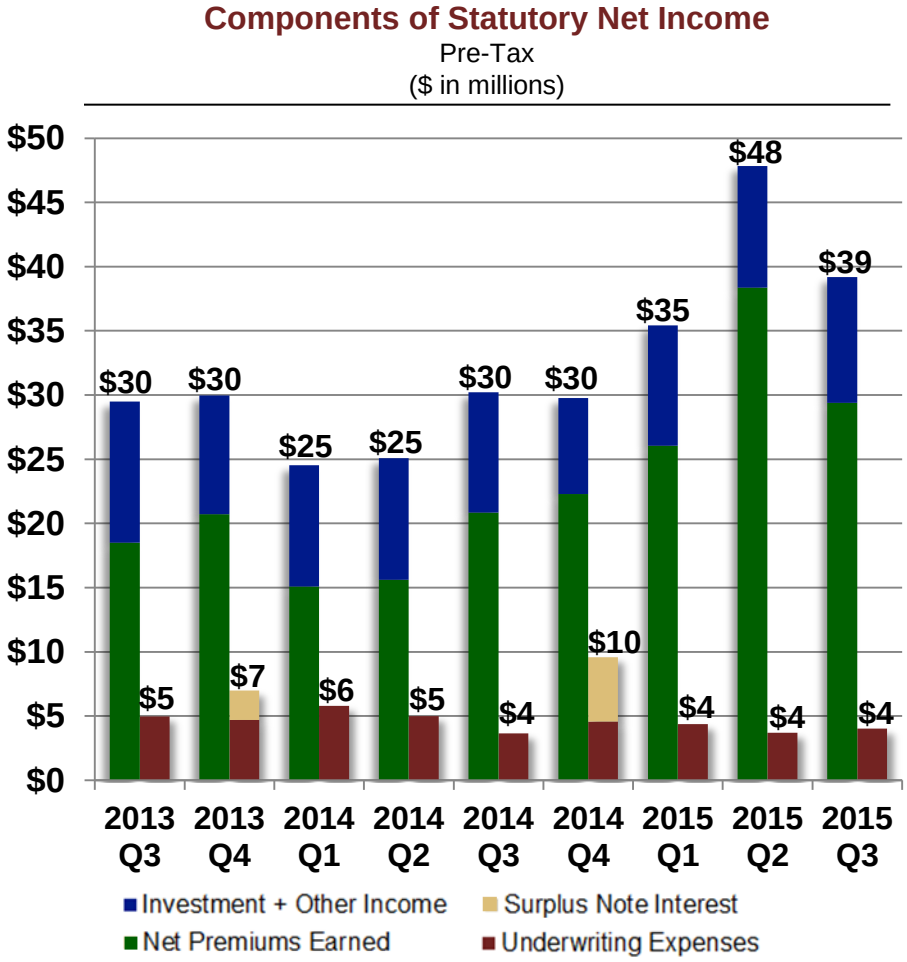
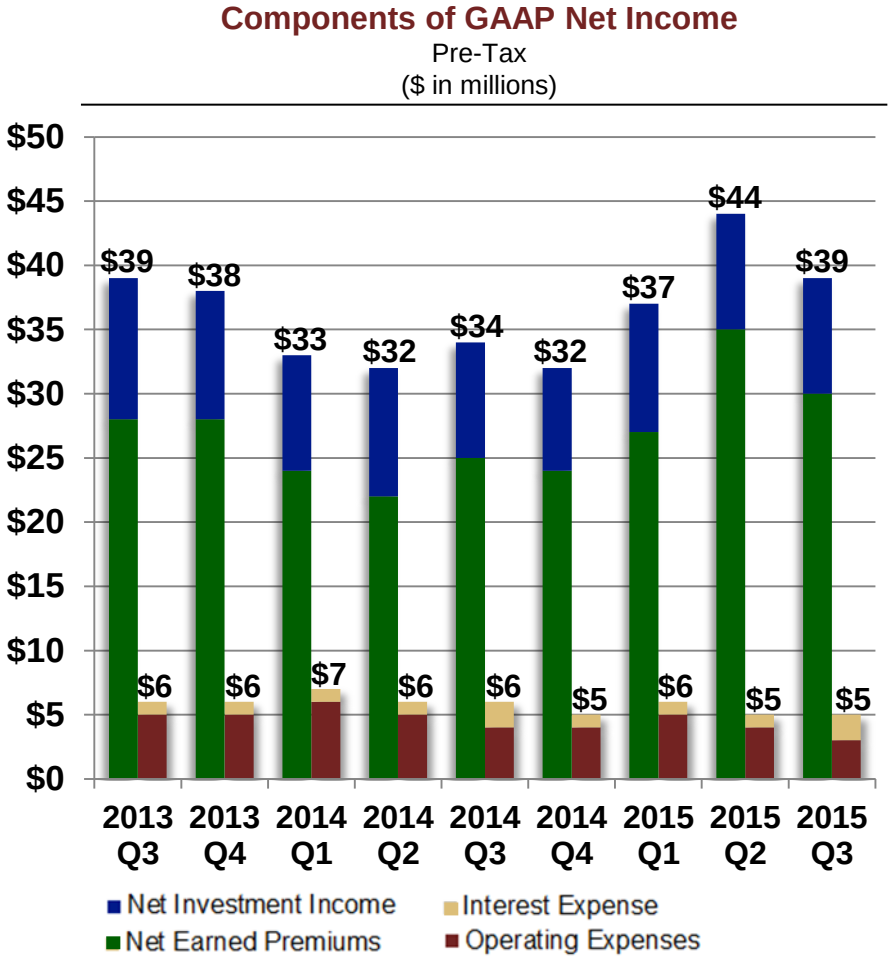


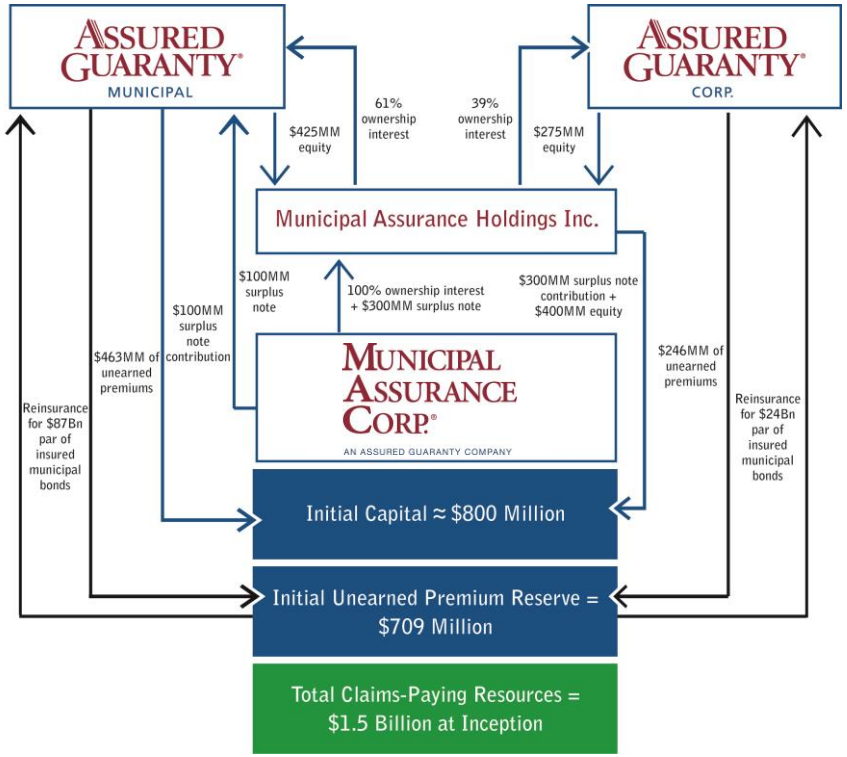


In each of the quarters since its launch, MAC's revenues exceeded its expenses by at least three times, under both statutory and GAAP accounting methodologies.

Initial Capitalization of MAC

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.

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

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