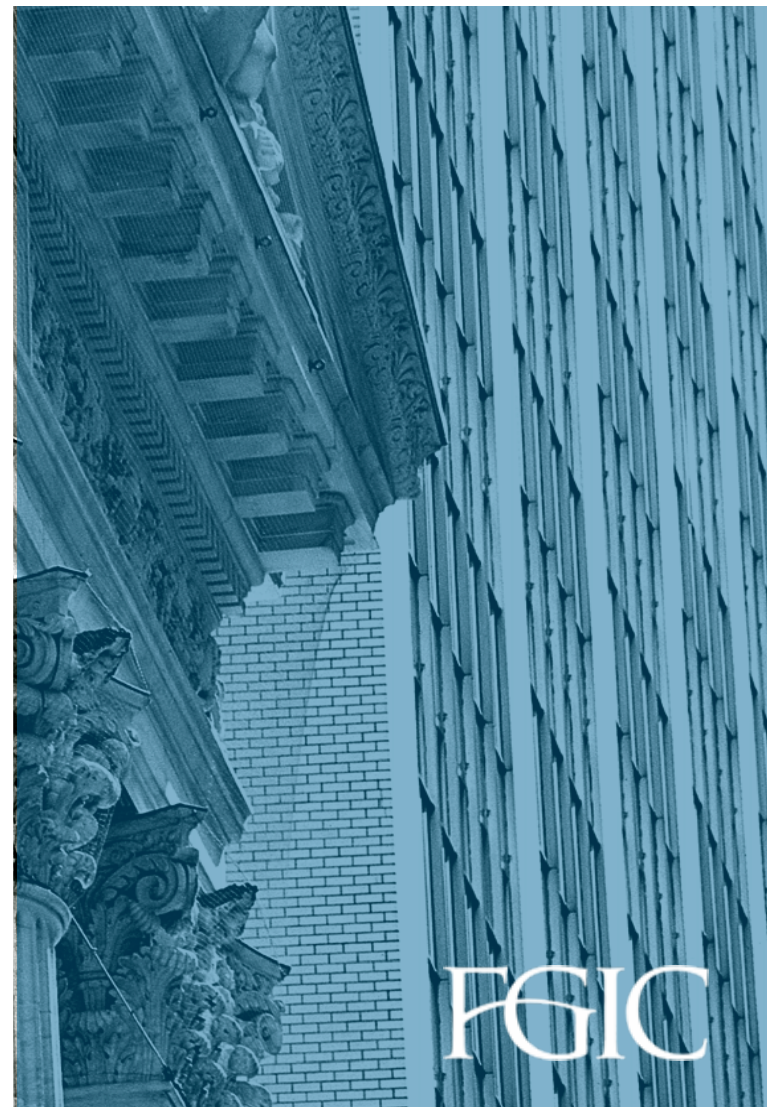


# Financial Guaranty Insurance Company

## Fixed Income Presentation

Fourth Quarter 2006



FGIC



# FGIC Overview



FGIC

# Business



- Financial Guaranty Insurance Company (FGIC), established in 1983, provides credit enhancement for public and structured finance obligations in the global markets.
- FGIC is one of four leading monoline financial guarantors:
  - FGIC, AMBAC, FSA and MBIA
- FGIC maintains a triple-A rating by all major rating agencies:
  - Moody's Investors Service, Standard & Poor's, and Fitch Ratings
- Widely recognized brand name, trading value and track record.
- FGIC's principal regulators are the New York State Insurance Department and the U.K. Financial Services Authority. These and other regulators provide FGIC with the ability to write business around the world and afford policyholders protection to safeguard their investments.

# Ownership

On December 18, 2003, an investor group completed the acquisition of FGIC from General Electric Capital Corporation.

- The PMI Group, Inc., 42% ownership, is an international provider of credit enhancement products that promote homeownership and facilitate mortgage transactions in the capital markets, with over \$5.5 billion in assets.
- The Blackstone Group, 23% ownership, is a private investment bank that has raised more than \$64 billion for alternative asset investing since its formation in 1985.
- The Cypress Group, 23% ownership, is a private equity group that to date has invested over \$4 billion of private equity capital.
- CIVC Partners, 7% ownership, a leader in private equity investing, manages over \$1 billion in private equity capital.
- GE Capital maintains a 5% ownership.



# Management



A strong, experienced management team:

- Frank Bivona, CEO – former Vice Chairman and CFO of Ambac, industry veteran of over 22 years
- Howard Pfeffer, President – former Vice Chairman of Ambac; over 18 years of industry experience
- Donna Blank, Chief Financial Officer – former Manager of Financial Planning and Analysis for a GE Insurance business unit; came to FGIC in 1997
- Ed Turi, General Counsel – former attorney at Cravath, Swaine & Moore with over 14 years of experience at FGIC
- Tim Travers, CEO, FGIC UK Limited – former Managing Director-European Structured Finance and Securitization at Ambac with over 23 years of financial guaranty industry experience
- Sandy D’Imperio, Chief Credit Officer – former Head of Credit Risk Management, Public Finance, at Ambac; over 24 years of industry experience

# Evolution



FGIC establishes credit default swap execution capability.

2005

2006

FGIC insures first guaranteed RMBS transaction in Mexico.

FGIC is sold to investor group consisting of PMI, Blackstone, Cypress and CIVC.

2003

2004

FGIC implements new business strategy focusing on growth, broadens presence in public finance markets, expands into additional sectors in structured finance and establishes international finance business based in London.

FGIC licensed to write financial guaranties in France.

1993

1994

FGIC insures first true cross border Japanese securitization.

General Electric acquires FGIC, and FGIC pioneers insurance of home equity loan securitizations.

1989

1992

FGIC is first US financial guarantor to obtain license to write in the United Kingdom.

FGIC is first to insure variable rate municipal bonds.

1985

1990

FGIC is first to insure asset-backed commercial paper conduit and opens representative office in London.

Financial Guaranty Insurance Company is formed.

1983

1986

FGIC launches first initial public offering of a financial guaranty company.

1984

FGIC begins operation writing municipal bond insurance.



# Insured Portfolio

- \$300 billion in net insured par outstanding as of December 31, 2006
- Major sector exposures include:
  - Tax-supported U.S. municipal obligations
  - Residential mortgage-backed securities
  - Other high-quality asset-backed and infrastructure obligations
- Insured portfolio – 82% is 'A' rated or better, with 0.6% rated below investment grade
- Cumulative losses are less than 1bp on debt service insured since inception



# Financial Resources

- **Strong balance sheet:**
  - High quality investment portfolio with “AA” average rating
  - Claims-paying resources of over \$4.7 billion
- **Consistent and predictable earnings streams:**
  - 22 years of profitability
  - Strong, consistent cash flow and earnings support stable triple-A ratings
- **\$250 million revolving credit facility**
- **Strong support from FGIC investor group**





# Areas of Focus



## U.S. Public Finance:

- Tax Backed
- Utilities
- Transportation
- Healthcare
- Structured
- Education

## U.S. Structured Finance:

- Consumer ABS
- Commercial ABS
- Secondary Markets
- CDO / CLO
- Structured Insurance

## Europe, Australia, Developing Markets:


- Infrastructure / PFI
- Corporate Securitization
- Future Flows
- Utilities
- Project Finance
- CDO/CLO
- Transportation
- Consumer ABS
- Secondary Markets

# Corporate Governance



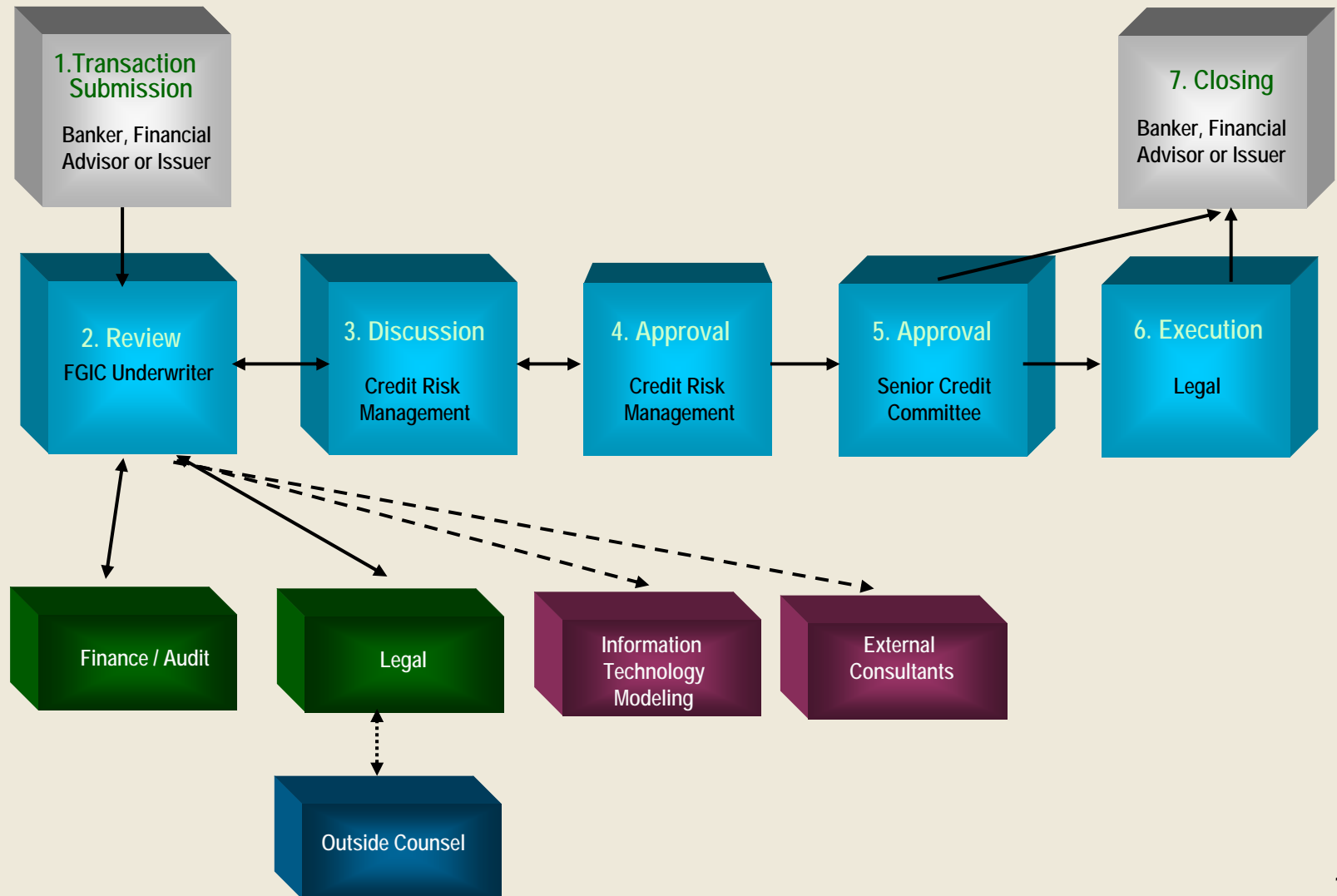
- FGIC's Board consists of 15 members with backgrounds in finance, accounting and insurance.
- Board-level oversight is provided through three committees: Audit, Credit and Investment, and Compensation.
- Board Credit and Investment Committee approves risk limits, underwriting and surveillance policies and procedures and oversees investment portfolio.
- Board includes independent, non-executive Chairman.
- Rating Agency reviews provide additional independent oversight.
- Exemplary regulatory compliance record is coupled with commitment to leading practices and continuous improvement in governance and compliance.

# Risk Management

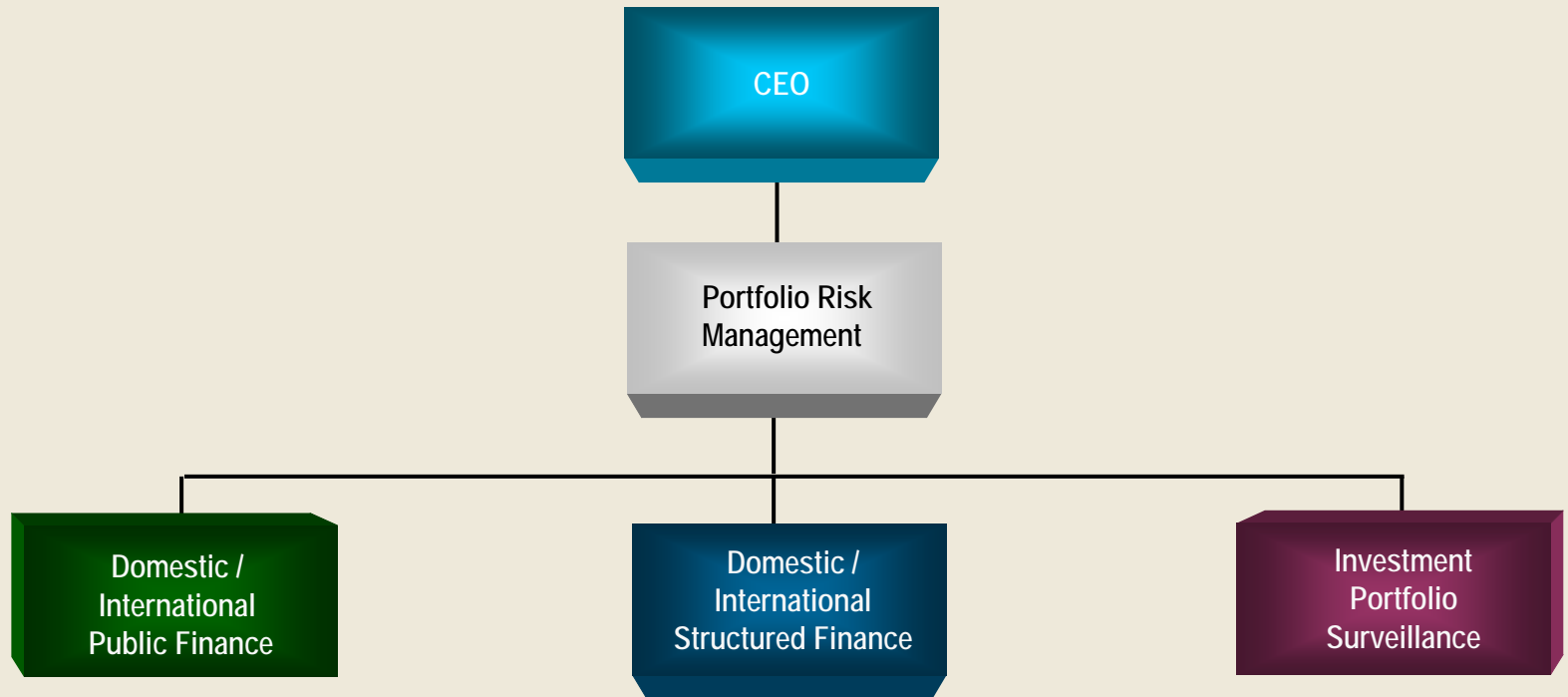
- 
- FGIC operates as a stand-alone, triple-A rated, monoline financial guarantor.
  - **Senior Credit Committee:**
    - Comprised of CEO, President, General Counsel, Chief Credit Officer and senior business managers
    - Meets daily to review individual transactions
  - **Portfolio Risk Committee:**
    - Comprised of senior management, finance, legal, credit and surveillance managers
    - Meets monthly to review portfolio risk limits, policies and procedures, underwriting criteria, sector trends and capital management
  - **Rating Agency Review:**
    - On transaction level, through shadow ratings and capital charges
    - On insurance company level, through capital adequacy modeling and continuous review of operations and risk management practices



# Underwriting Process



# Portfolio Risk Management



# FGIC's Insured Portfolio Characteristics



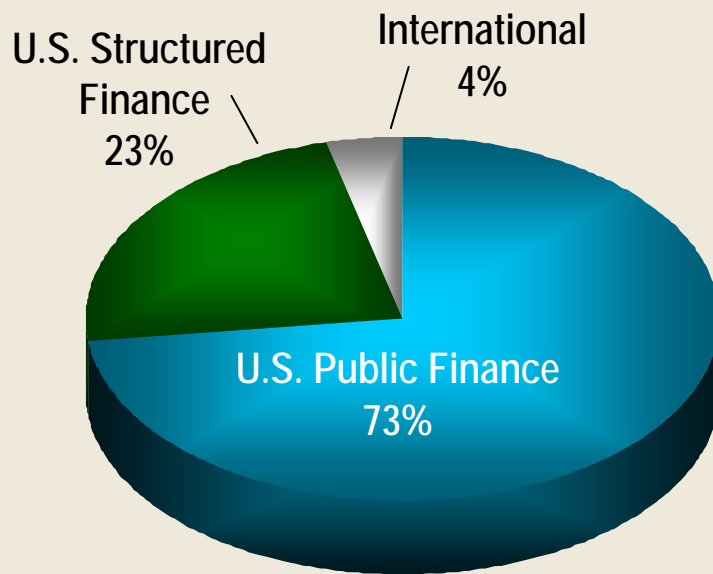
FGIC



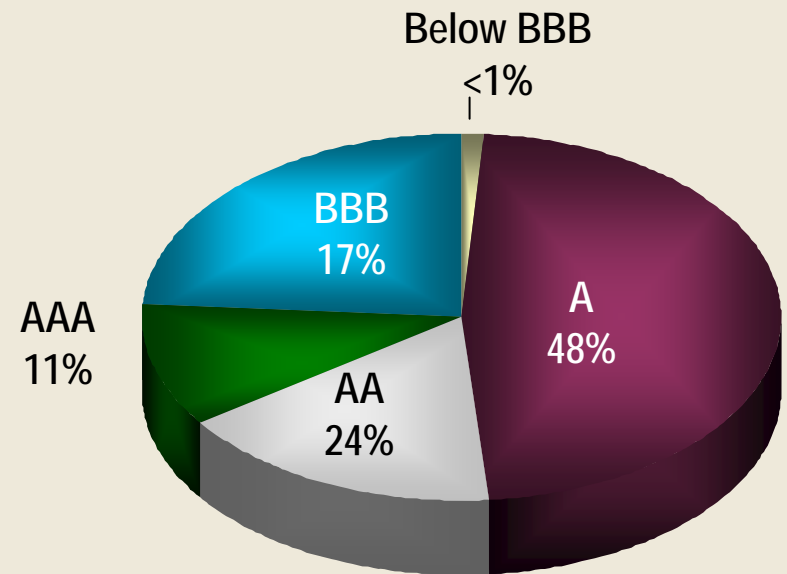
# Low Risk Insured Portfolio

Net par outstanding: \$300 billion  
as of December 31, 2006

By Market Segment



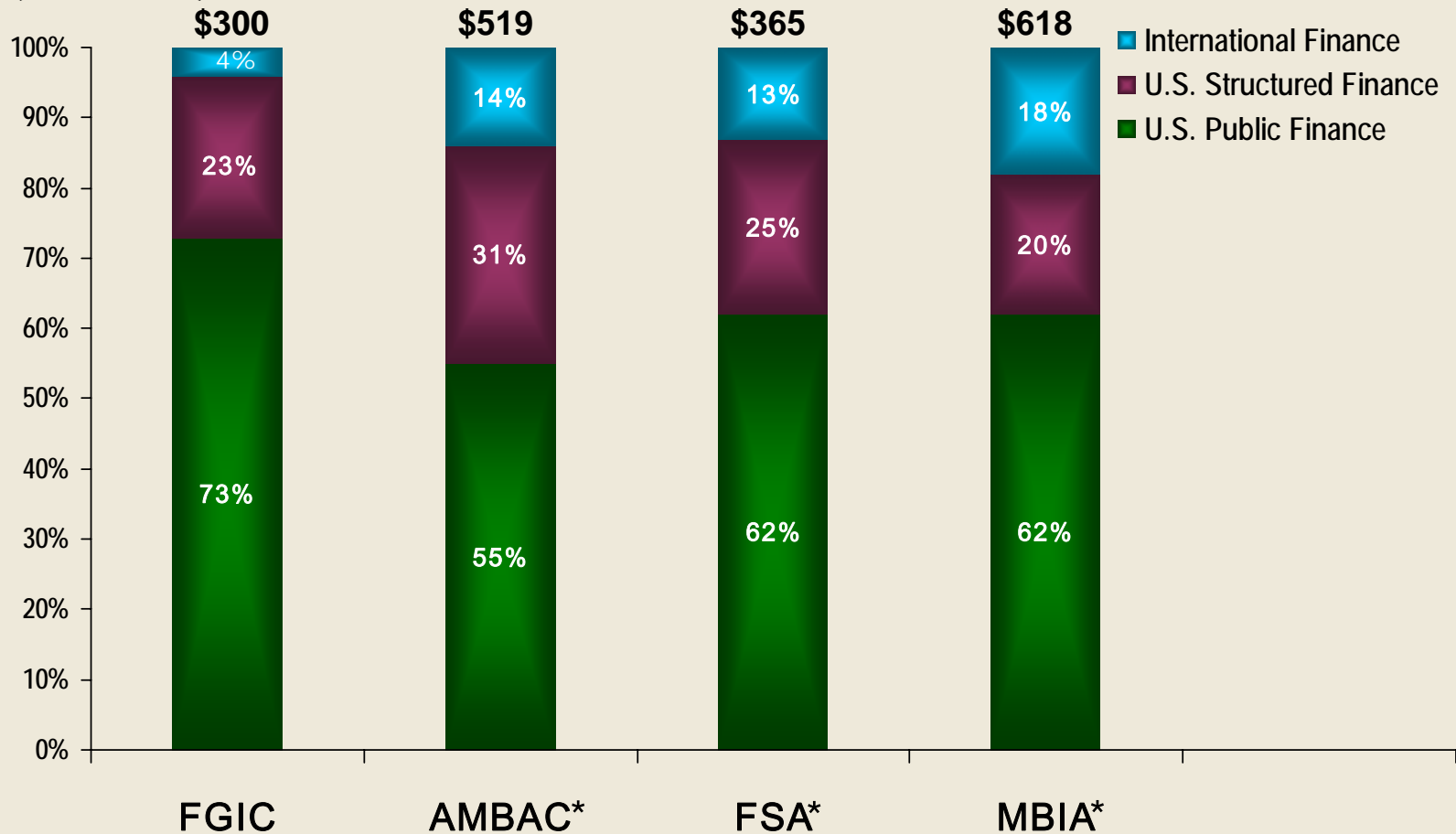
By Rating\*



\* Based on FGIC internal ratings

# Sector Distribution Of Market

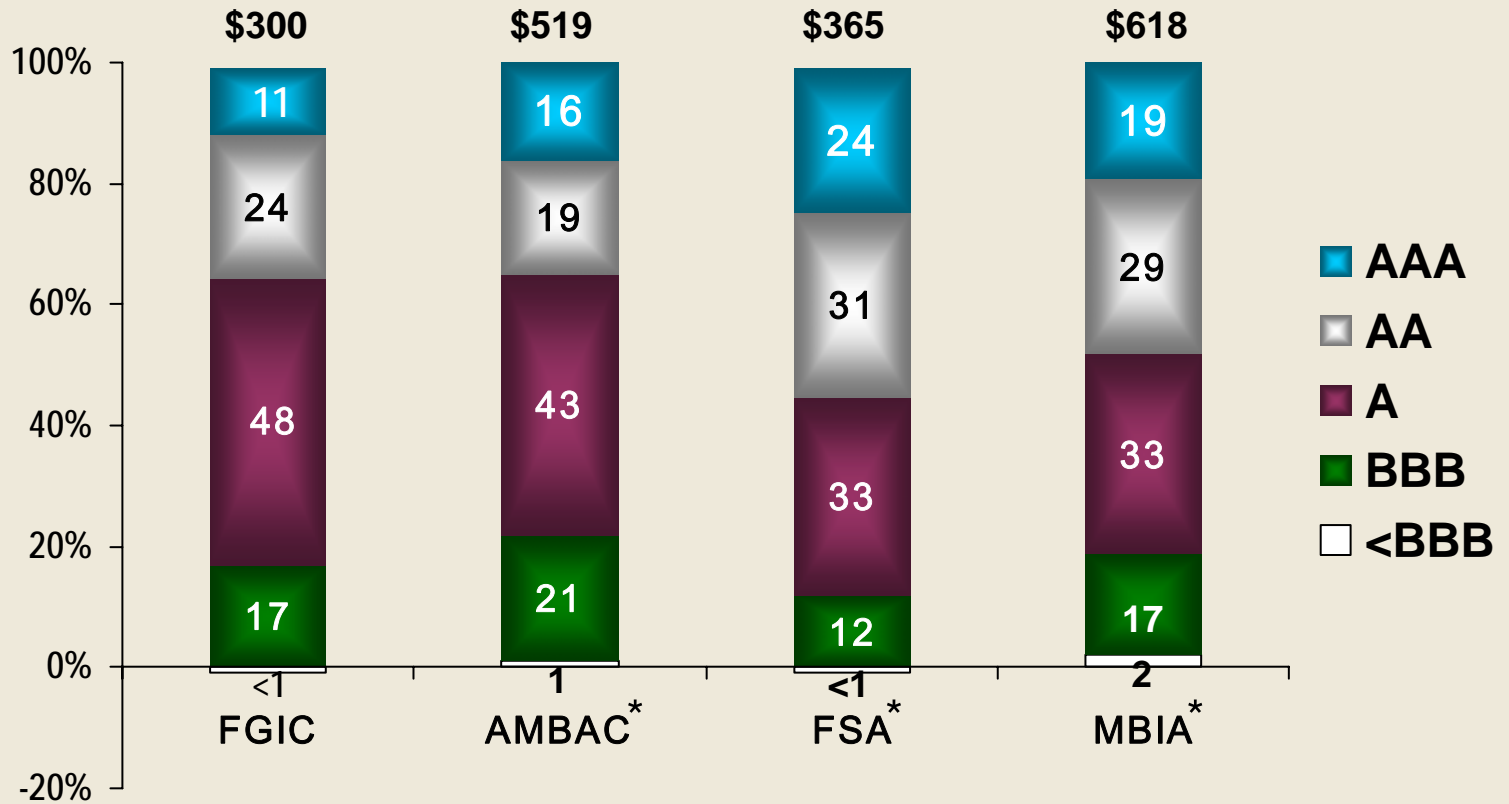
Net par outstanding as of 12/31/06  
(\$ in billions)



\* All competitor information in this presentation is based on SEC filings and other public information. FSA data as of 9/30/06.

# Credit Quality Distribution Of Market

Net par outstanding as of 12/31/06  
(\$ in billions)



\* All ratings based upon internal ratings of respective companies. FSA data as of 9/30/06.



# Below Investment Grade Exposure

Summary of FGIC's below investment grade exposure by bond type\*  
(\$ in millions)

Outstanding as of 12/31/06

	Net Par Outstanding
Asset-Backed	\$700
Tax-Supported	334
Mortgage-Backed	316
Investor-Owned Utilities	217
Healthcare	106
Utility Revenue	105
Education	16
Housing	5
Transportation	2
<b>Total</b>	<b>\$1,801</b>

\* Based on FGIC internal ratings

# Low Policy Loss History

FGIC's statutory policy loss experience since inception in 1983

As of December 31, 2006

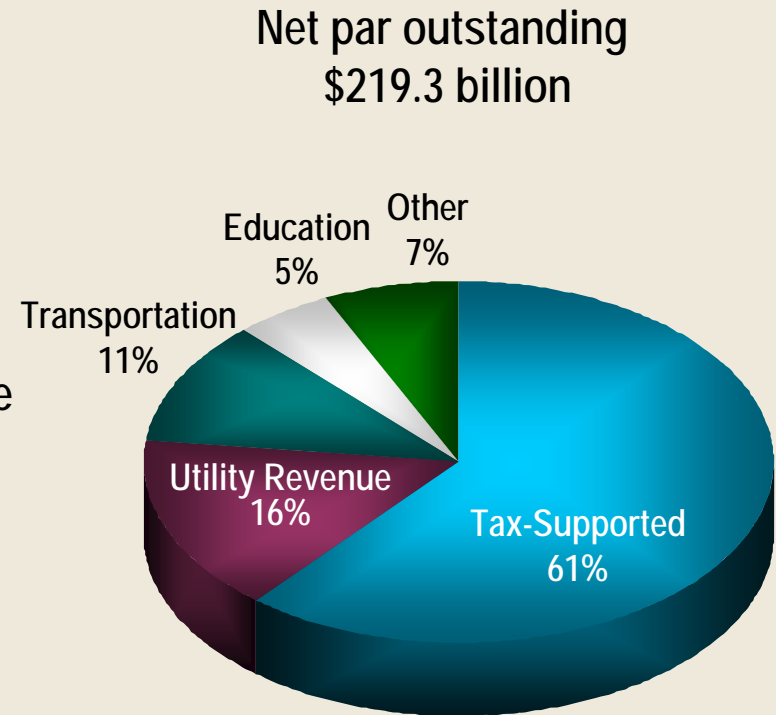
Issues Insured	23,026
Debt service insured from inception	\$1,034 billion
Aggregate incurred losses	\$87 million
Paid losses	\$67 million

Policy losses since inception equate to less than 0.01% (1bps) of insured debt service.



# U.S. Public Finance – Insured Portfolio

- 73% of total net par outstanding
- Predominantly low-risk sectors:
  - Tax-supported municipal
  - Utility revenue
- Increasing diversification by bond type
- Underwriting approach:
  - Essential public purpose
  - Dedicated tax or revenue repayment
  - Focus on low severity of loss



As of December 31, 2006

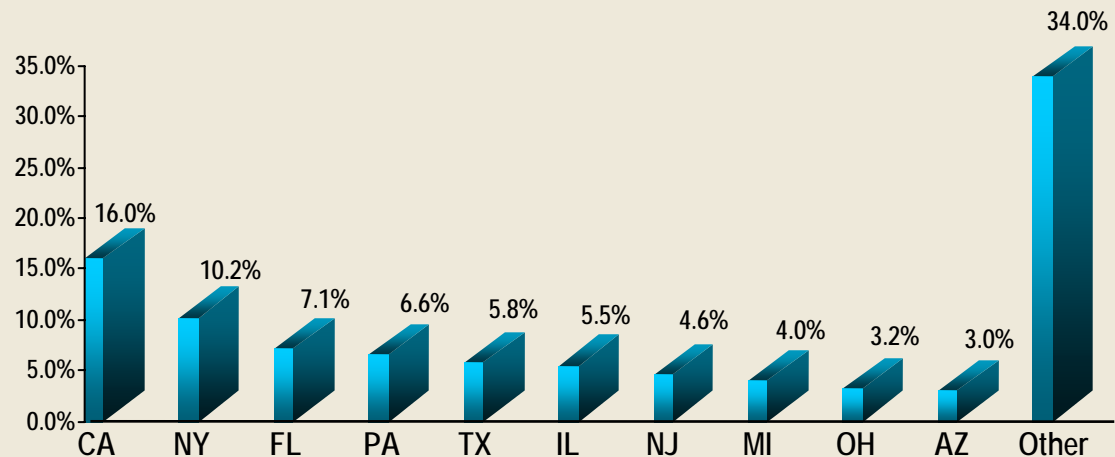


# U.S. Public Finance – Largest Exposures

Top ten exposures:  
\$10.9 billion net par  
outstanding (NPO)

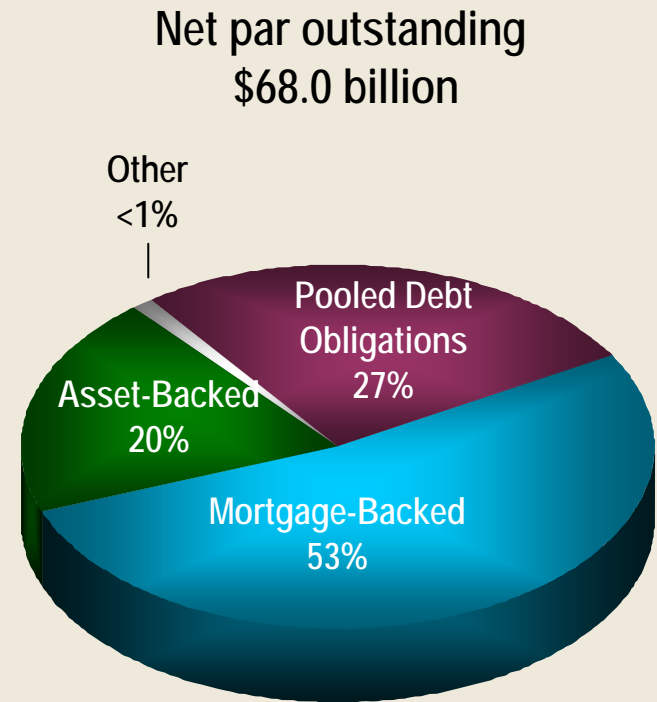
Description	NPO (\$ billion) as of 12/31/06
California State GO	1.2
Jefferson County, AL Sewer Rev	1.2
Puerto Rico Commonwealth GO	1.2
Golden State Tobacco Securitiz Cop, CA Lease	1.1
New York City, NY GO	1.1
Miami-Dade County, FL Aviation Rev	1.1
New Jersey Trans Trust Fund Auth	1.0
New York State Thruway – Gas Tax	1.0
Oregon State School Dist Intercept Program GO	1.0
Los Angeles USD, GA GO	1.0

Top state  
exposures at  
12/31/06



# U.S. Structured Finance – Insured Portfolio

- 23% of total net par outstanding
- Increasingly diversified by issuer and asset class
- Underwriting approach:
  - Focus on diversified asset pools that evidence low loss severity



As of December 31, 2006

# U.S. Structured Finance – Largest Exposures

Top ten exposures:  
\$11.8 billion net par  
outstanding (NPO)

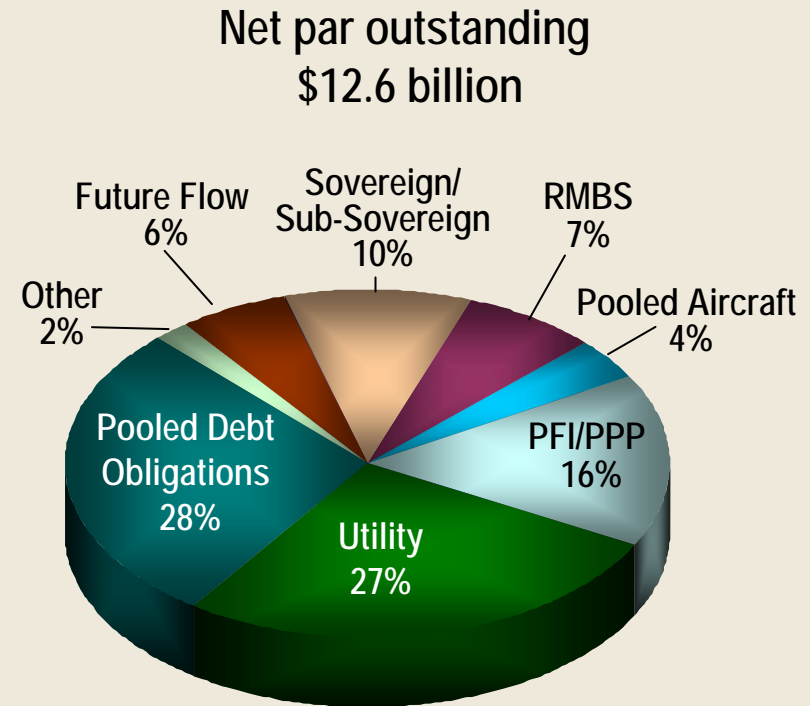
<u>Description</u>	<u>NPO (\$ billion) as of 12/31/06</u>
Countrywide Home Equity Loan Trust Series 2006-H	1.9
Capital One Auto Finance Trust 2006-C	1.7
GMAC Home Equity Loan Trust 2006-HE1	1.3
GMAC Home Equity Loan Trust 2006-HE5	1.2
AmeriCredit Automobile Receivables Trust 2006-B-G	1.1
GMAC Home Equity Loan Trust 2006-HE3	1.0
Argent Mortgage Loan Trust 2005-W1	0.9
Countrywide Home Equity Loan Trust Series 2006-S3	0.9
Countrywide Home Equity Loan Trust Series 2006-S2	0.9
Ramp Series 2005-RS9 Trust	0.9

Top ten servicer  
exposures:  
\$35.3 billion net par  
outstanding (NPO)

<u>Description</u>	<u>NPO (\$ billion) as of 12/31/06</u>
Countrywide Home Loans, Inc.	9.4
GMAC Mortgage, LLC	9.1
Homecomings Financial, LLC	6.6
IndyMac Bank F.S.B.	2.2
Ameriquist Mortgage Company	1.9
Capital One Auto Finance, Inc.	1.7
Specialized Loan Servicing LLC	1.2
AmeriCredit Financial Services, Inc.	1.1
Capital One Financial Corporation	1.1
Bombardier Services Corp	1.0

# International Finance – Insured Portfolio

- 4% of total net par outstanding
- Underwriting approach:
  - Consistent with U.S. criteria
  - Focus on essential purpose projects or asset classes with low severity of loss characteristics
  - Comprehensive legal, regulatory and political risk review for new geographic areas

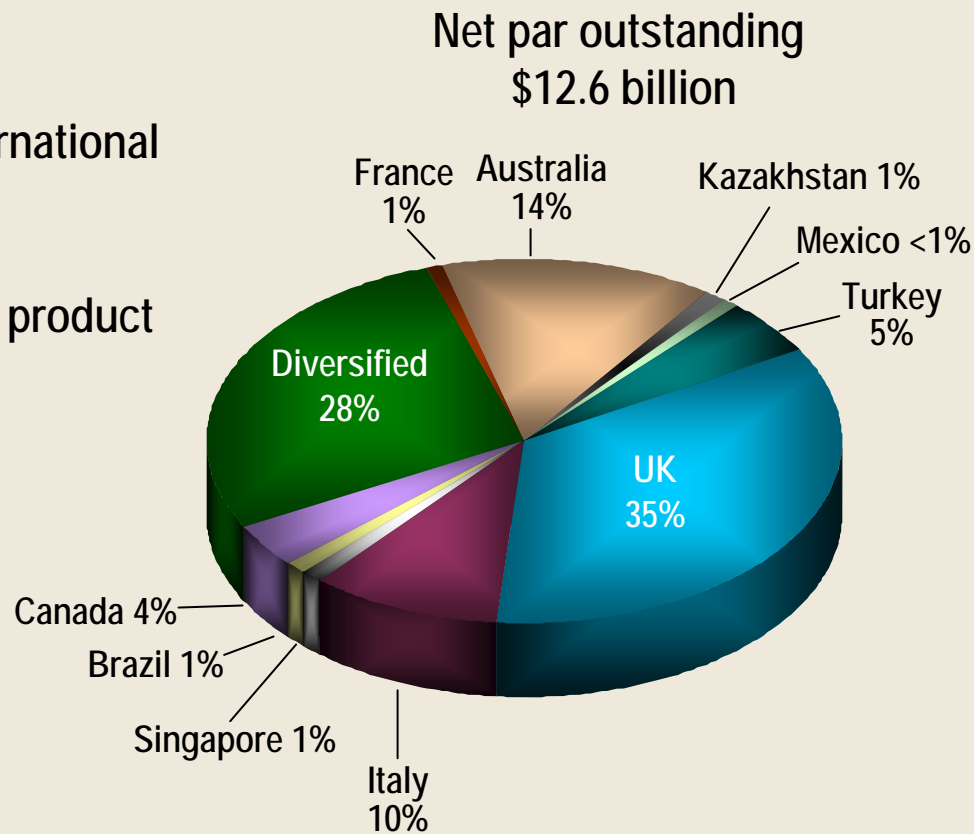


As of December 31, 2006



# International Finance – By Country

- Continued expansion of international business
- Increasing diversification by product and geography



As of December 31, 2006

# FGIC's Financial Highlights



# Financial Highlights – Consolidated

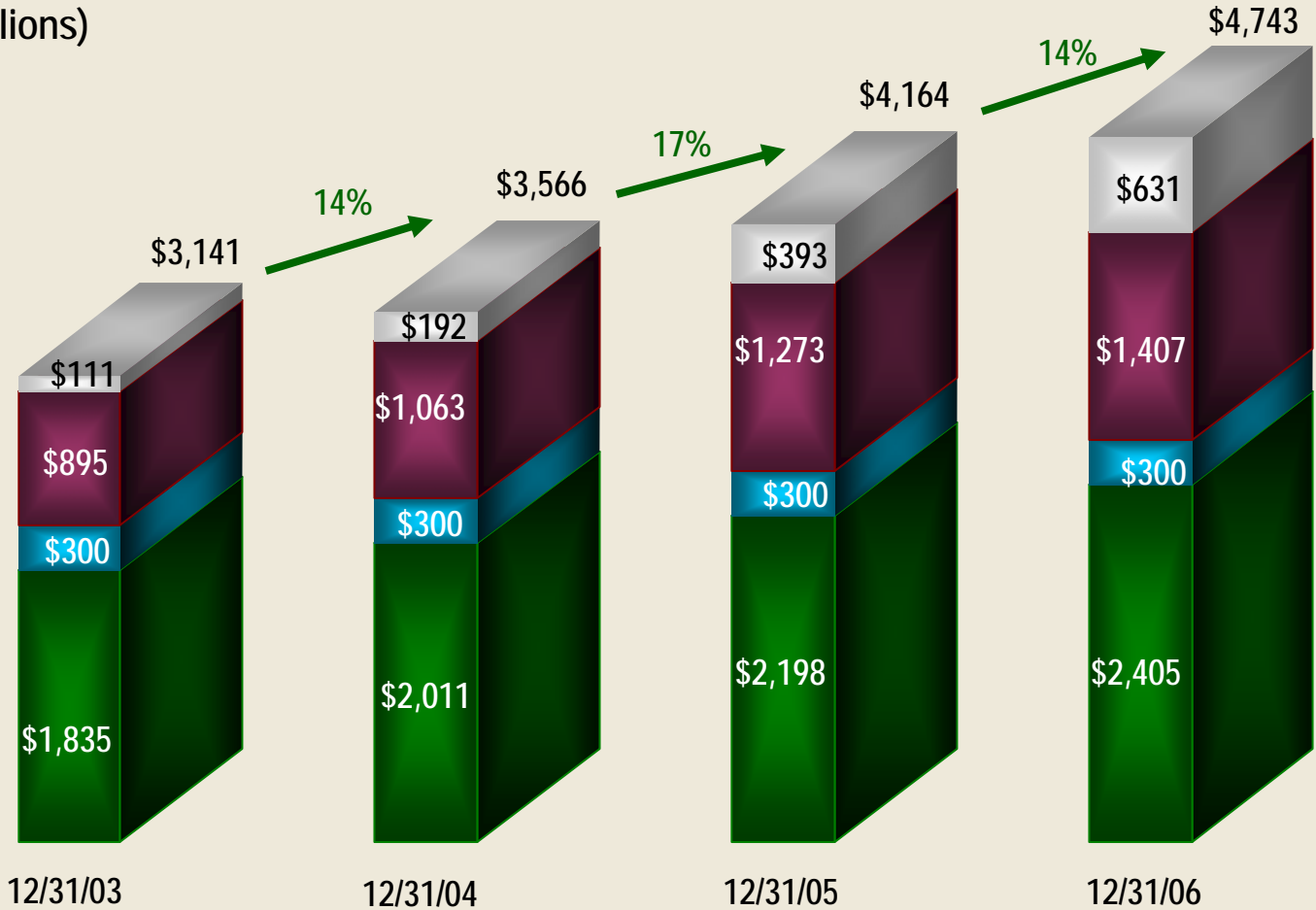
(\$ in millions)	Year Ended December 31,		
	2004	2005	2006
<b>Income Statement</b>			
Net Premiums Written	\$314	\$381	\$367
Net Premiums Earned	175	225	267
Net Investment Income	98	119	140
Net Realized Gains	1	-	-
Net Income	157	190	248
<b>Balance Sheet</b>			
Total Invested Assets (a)	\$3,149	\$3,458	\$3,867
Total Assets (a)	3,422	3,748	4,263
Unearned Premium Reserves	1,043	1,201	1,348
Loss and LAE Reserves	39	55	40
Stockholders' Equity	1,918	2,079	2,354
<b>GAAP Ratios (b)</b>			
Loss Ratio	3.4%	8.2%	(3.3%)
Expense Ratio	24.7%	22.4%	23.8%
Combined Ratio	28.1%	30.7%	20.5%

(a) Excludes variable interest entities.

(b) Ratios relate solely to Financial Guaranty Insurance Company.

# Claims Paying Resources

(\$ in millions)



Statutory Capital

Soft Capital

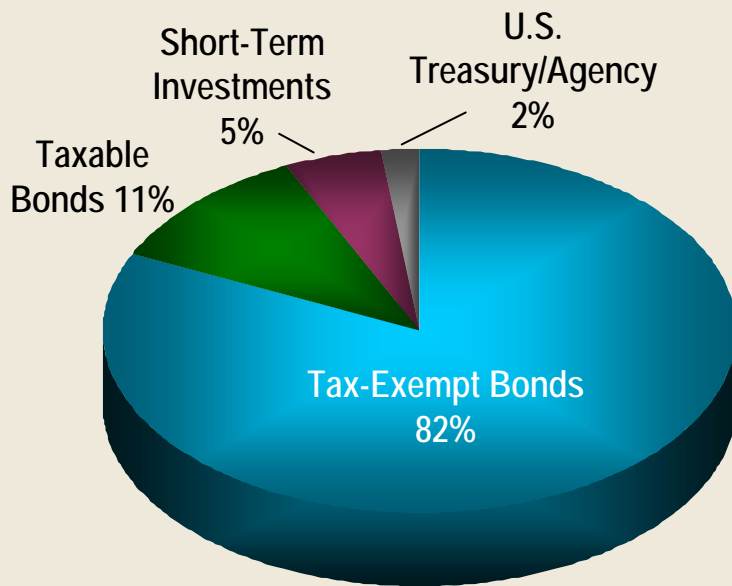
Unearned Premiums and Loss & LAE

Present Value of Installment Premiums



# High Quality Investment Portfolio

## Financial Guaranty Portfolio (1)



- Fixed income securities
- Portfolio market value \$3.8 billion
- 77% of portfolio rated AAA:
  - Double-A weighted average credit quality
- Consistent and predictable income source

As of December 31, 2006

(1) Excludes investments held to maturity related to variable interest entities.

# Rating Agency Comments



"Financial Guaranty Insurance Co.'s (FGIC) 'AAA' insurer financial strength (IFS) rating reflects the company's well-established name within the financial guarantor industry and its high-quality and low-risk insured portfolio. Reflective of its high concentration of low-risk municipal finance exposures, Fitch Ratings believes FGIC's insured portfolio is still the lowest risk of all the financial guarantors."

*Source: Fitch Ratings, Financial Guaranty Insurance Co., December 20, 2005*

"Since December, 2003, FGIC has been executing a substantially revised business strategy that entails greater diversification into broader financial guarantor segments. . . The firm has also expanded its underwriting capabilities to include for the first time additional sectors of structured finance and asset backed securities such as auto loans, credit cards, private student loans, collateralized debt obligations and commercial assets. FGIC has been successful at garnering market share in these segments, leveraging its well established name in its traditional sectors and taking advantage of investor concerns over counterparty concentrations."

*Source: Moody's Investors Service, Financial Guaranty Insurance Company, December 2006*

"The 'AAA' financial strength and financial enhancement ratings on Financial Guaranty Insurance Co. (FGIC) reflect, in the context of new owners and an expanded business plan, the assembling of a solid management team coupled with expectations for continued improvement in financial performance, continued conservative underwriting, and adequate capitalization at the rating level."

*Source: Standard & Poor's, Financial Guaranty Insurance Co., June 27, 2006*

# FGIC: Strength Is Our Bond

## In Conclusion

- Unconditional and irrevocable guaranty
- Triple-A rated by all major rating agencies: Moody's Investors Service, Standard & Poor's, Fitch Ratings
- Claims paying resources of over \$4.7 billion
- 82% of insured portfolio rated "A" or better
- High quality investment portfolio: "AA" average rating
- Strong, experienced management team



# Disclaimer



The information contained in this presentation is of a general nature and includes forward-looking statements. Actual results may differ, and FGIC does not undertake to update the forward-looking statements or any other information contained in this presentation, except as required by law. This presentation is not intended to be, and should not be, relied upon for the purpose of making any investment decisions whatsoever. Under no circumstances does it constitute an offer or invitation to invest in FGIC or any securities or investments guaranteed by FGIC.