

Financial Guaranty Insurance Company Fixed Income Presentation

As of September 30, 2007



Overview



FGIC

- 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 from 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 obligations.

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 home ownership and facilitate mortgage transactions in the capital markets, with over \$5.7 billion in assets.
- **The Blackstone Group**, 23% ownership, is a leading global alternative asset manager and provider of financial advisory services with total assets under management of approximately \$91.8 billion as of June 30, 2007.
- **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 of private equity capital.
- **GE Capital** maintains a 5% ownership.

A strong, experienced management team:

- **Frank Bivona**, CEO – former Vice Chairman and CFO of Ambac, industry veteran of over 23 years
- **Howard Pfeffer**, President – former Vice Chairman of Ambac; over 18 years of industry experience
- **Donna Blank**, Chief Financial Officer – GE trained finance professional with over 13 years insurance industry experience; 10 years at FGIC, over 4 years as CFO
- **Ed Turi**, General Counsel – former attorney at Cravath, Swaine & Moore with over 16 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

FGIC establishes Australian office.

FGIC establishes credit default swap execution capability.

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

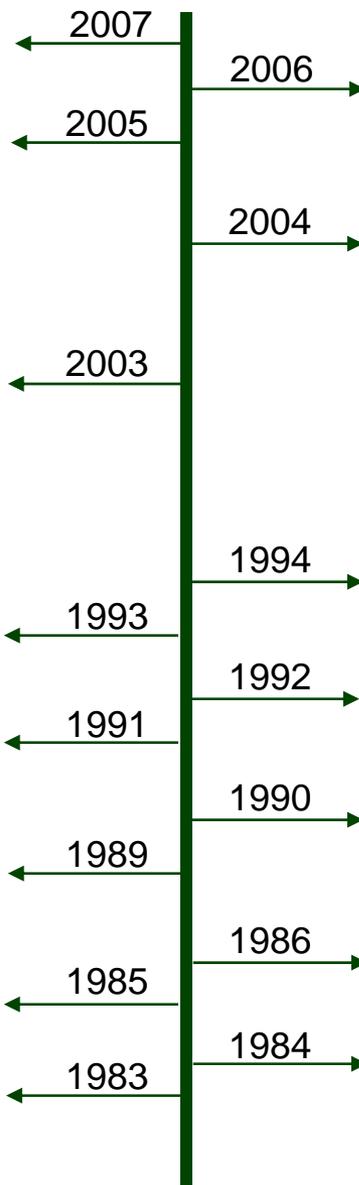
FGIC licensed to write financial guaranties in France.

FGIC develops FGIC Securities Purchase Inc. to provide liquidity facility for issuers of variable rate debt.

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

FGIC is first to insure variable rate municipal bonds.

Financial Guaranty Insurance Company is formed.



FGIC insures first guaranteed RMBS transaction in Mexico.

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 insures first true cross border Japanese securitization.

FGIC is first US financial guarantor to obtain license to write in the U.K.

FGIC is first to insure asset-backed commercial paper conduit.

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

FGIC begins operation writing municipal bond insurance.

- \$315 billion in net insured par outstanding as of September 30, 2007
- Major sector exposures include:
 - Tax-supported U.S. municipal obligations
 - Other high-quality asset-backed and infrastructure obligations
- Insured portfolio – 83% is 'A' rated or better, with only 0.5% rated below investment grade
- Cumulative losses are less than 1bp on debt service insured since inception

- Strong balance sheet:
 - High quality investment portfolio with “AA” average rating
 - Claims-paying resources of over \$5.1 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

U.S. Public Finance:

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

U.S. Structured Finance:

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

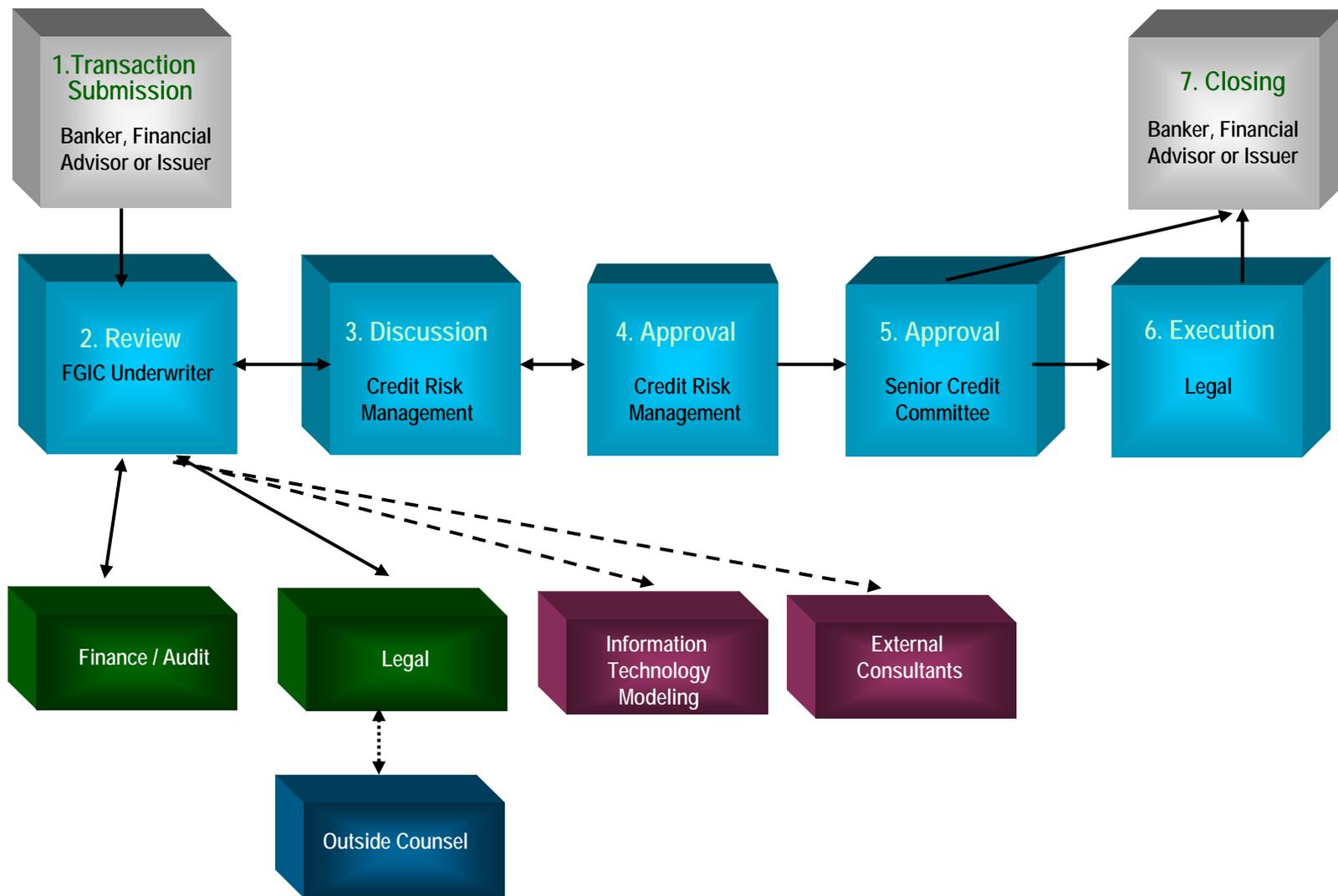
Europe, Australia, Developing Markets:

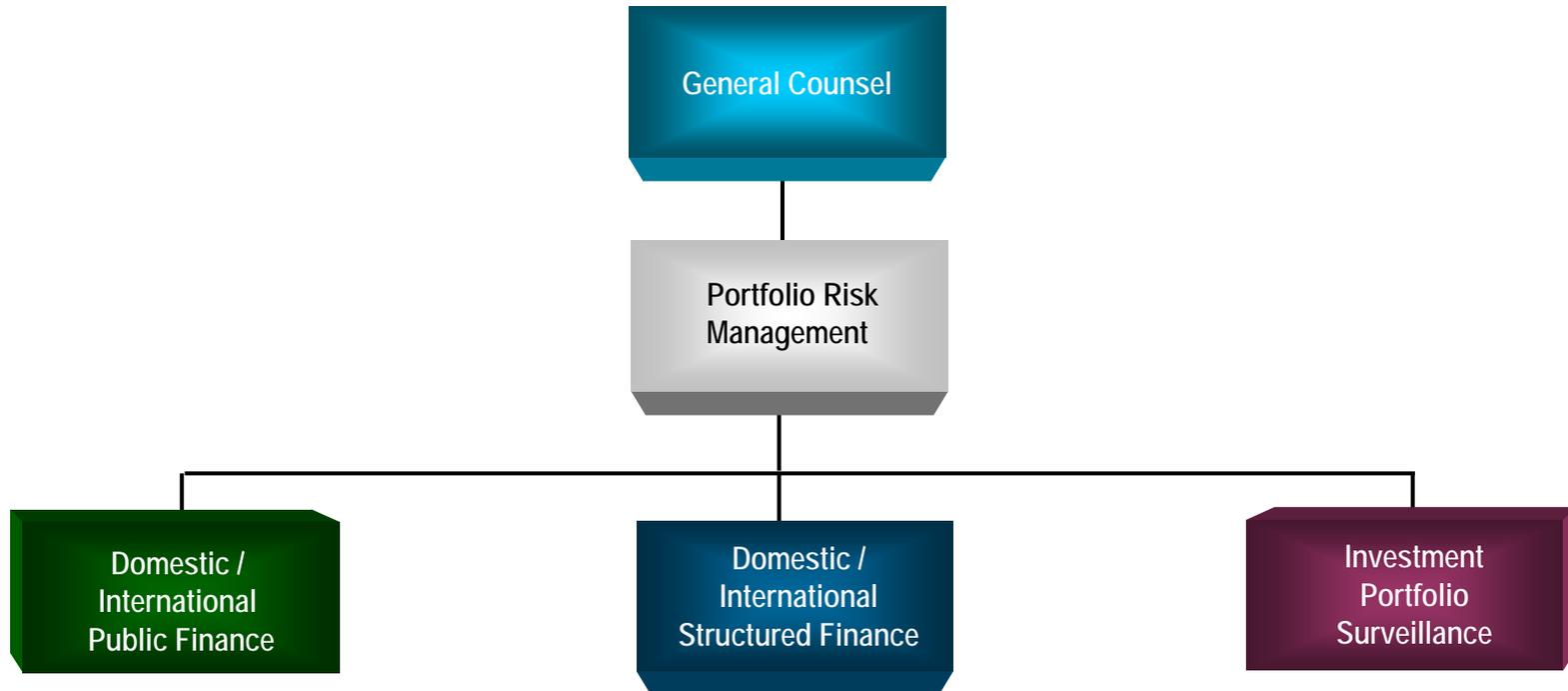
- Infrastructure / PFI
- Utilities
- Transportation
- Corporate Securitization
- Project Finance
- Consumer ABS
- Future Flows
- CDO/CLO
- Secondary Markets

- 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.

- 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





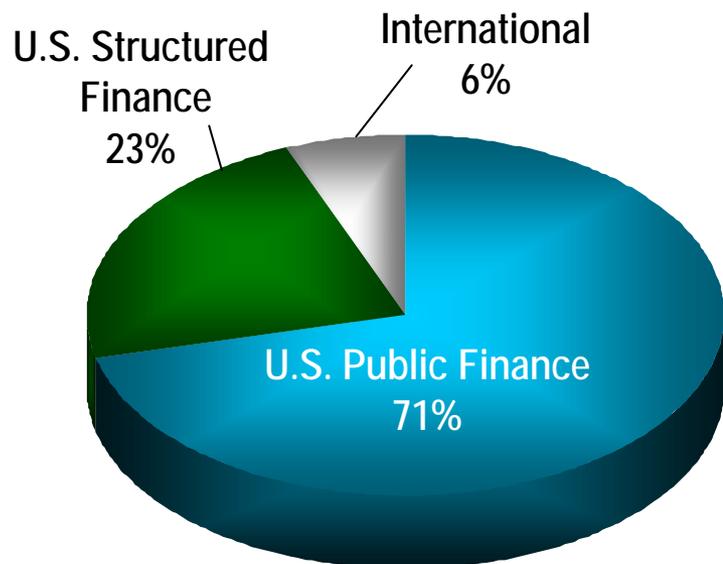
Insured Portfolio Characteristics



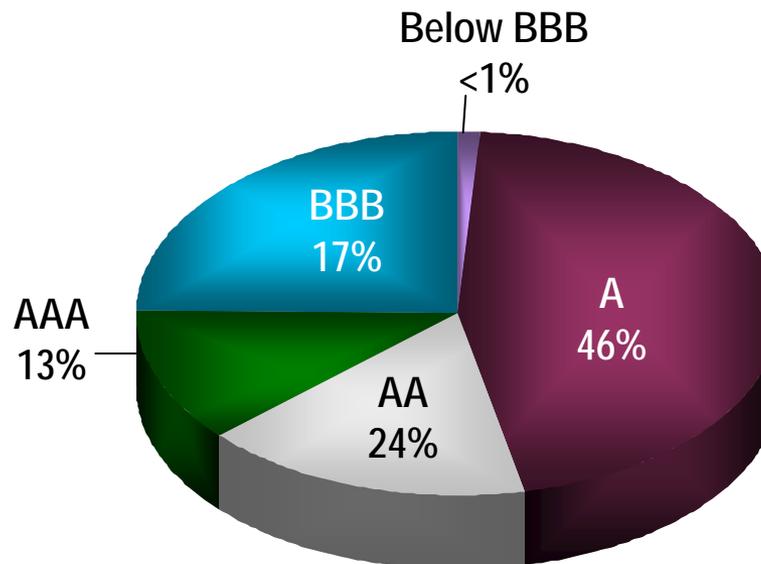
FGIC

Net par outstanding: \$315 billion
as of September 30, 2007

By Market Segment



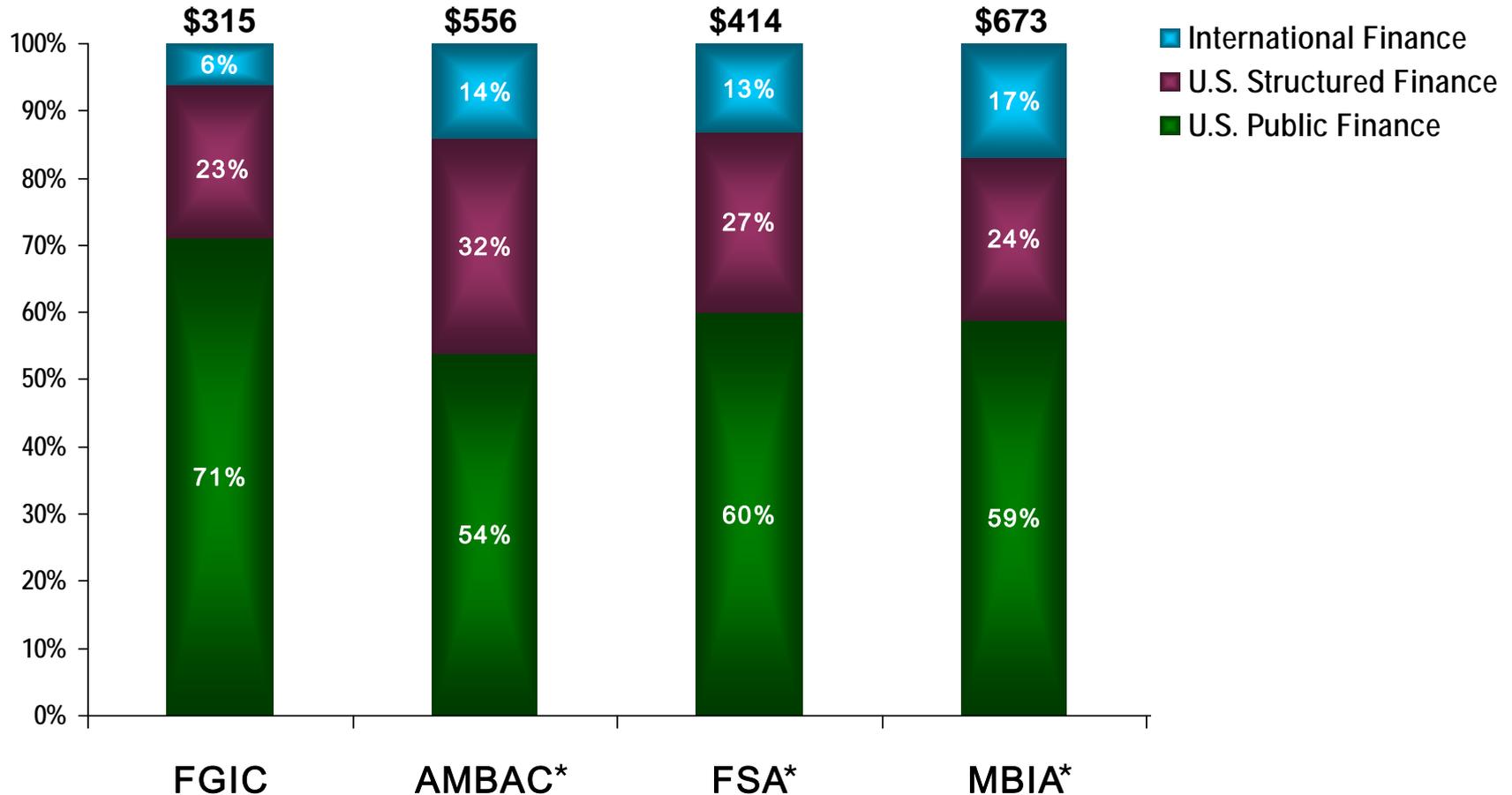
By Rating*



* Based on FGIC internal ratings

Sector Distribution Of Market

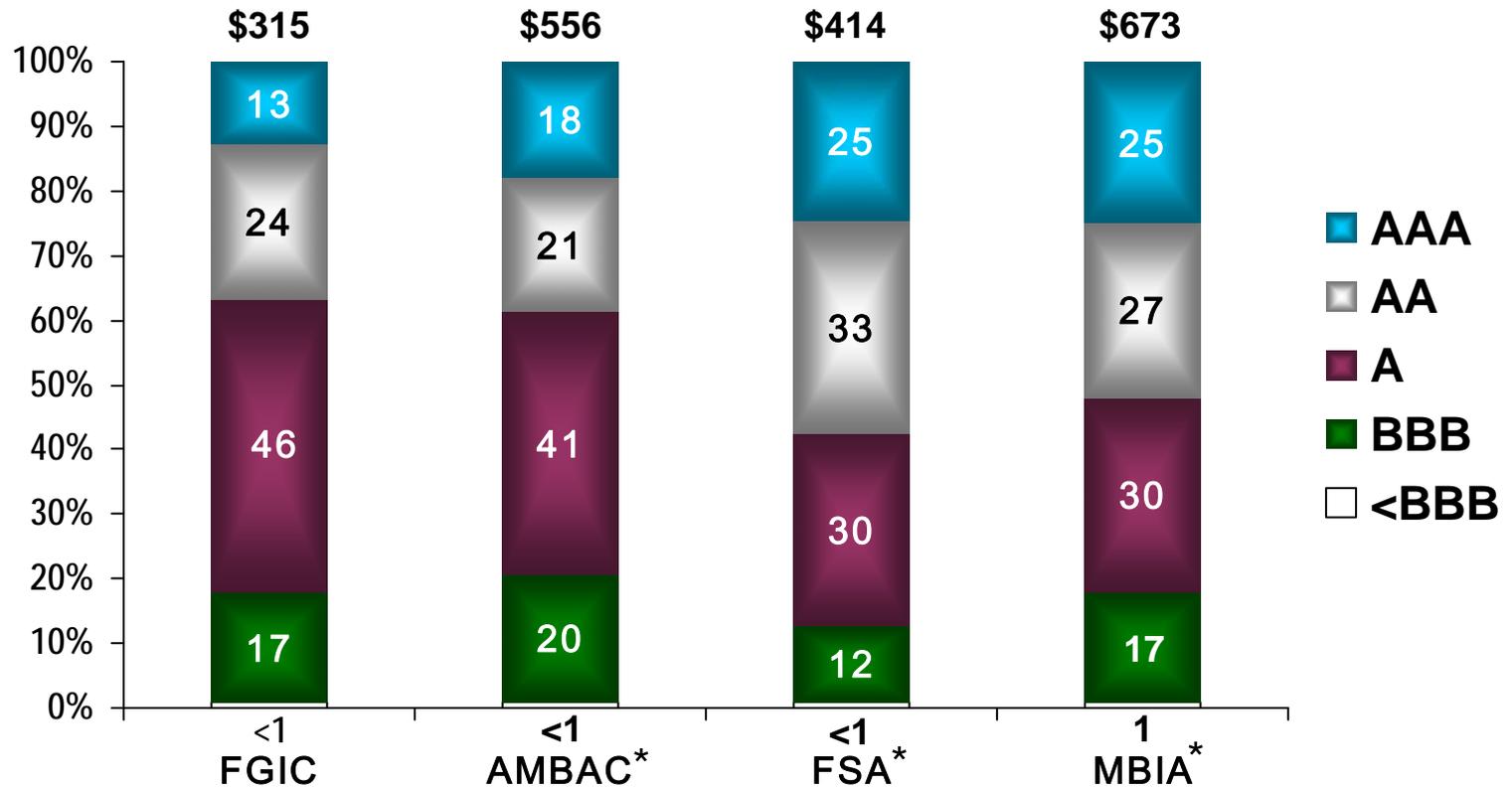
Net par outstanding as of 9/30/07
(\$ in billions)



* All competitor information in this presentation is based on SEC filings and other public information.

Credit Quality Distribution Of Market

Net par outstanding as of 9/30/07
(\$ in billions)



* All ratings based upon internal ratings of respective companies.

Below Investment Grade Exposure

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

Outstanding as of 9/30/07

	Net Par Outstanding
Asset-Backed	\$550
Mortgage-Backed	478
Investor-Owned Utilities	182
Tax-Supported	176
Utility Revenue	105
Healthcare	72
Housing	5
Transportation	2
Total	\$1,570

* Based on FGIC internal ratings

Low Policy Loss History

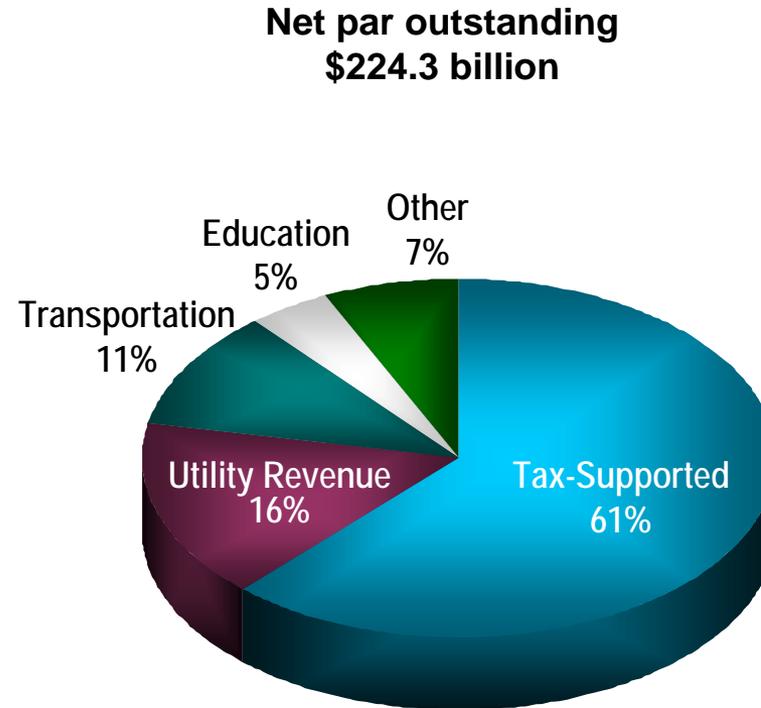
FGIC's statutory policy loss experience since inception in 1983

As of September 30, 2007

Issues Insured	23,506
Debt service insured from inception	\$1,105 billion
Aggregate incurred losses	\$91 million
Paid losses	\$62 million

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

- 71% 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



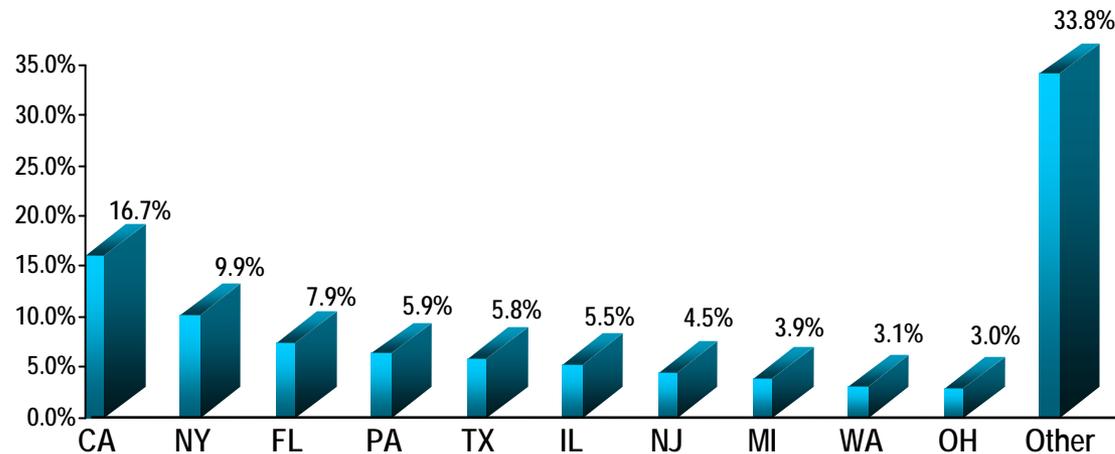
As of September 30, 2007

U.S. Public Finance – Largest Exposures

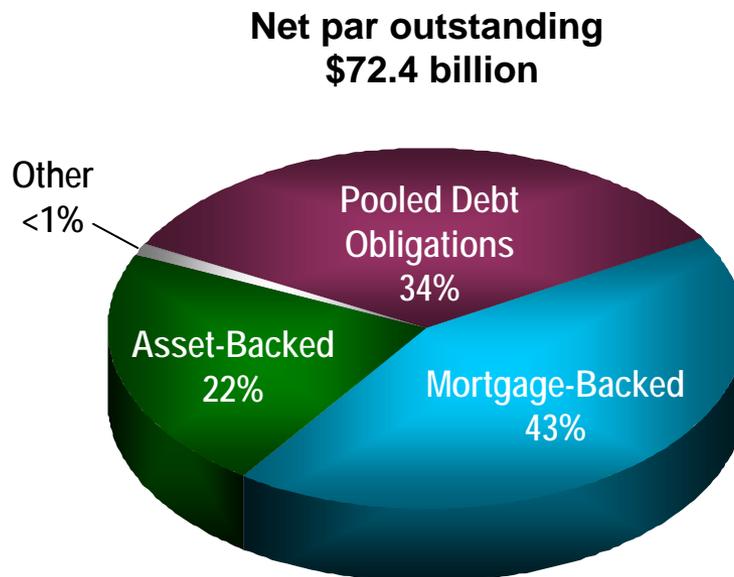
**Top ten exposures:
\$11.2 billion net par
outstanding (NPO)**

<u>Description</u>	<u>NPO (\$ billion) as of 9/30/07</u>
California State GO	1.4
Jefferson County, AL Sewer Rev	1.2
Golden State Tobacco Securitiz Corp, CA Lease	1.2
Puerto Rico Commonwealth GO	1.1
New Jersey Trans Trust Fund Auth	1.1
Massachusetts Commonwealth GO	1.1
Miami-Dade County, FL Aviation Rev	1.1
Los Angeles USD, CA GO	1.1
Port Authority of NY and NJ	1.0
Double-Wrap Muni Portfolio (DWMP)	1.0

**Top state exposures
at 9/30/07**



- 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 September 30, 2007

U.S. Structured Finance – Largest Exposures



**Top ten exposures:
\$10.1 billion net par
outstanding (NPO)**

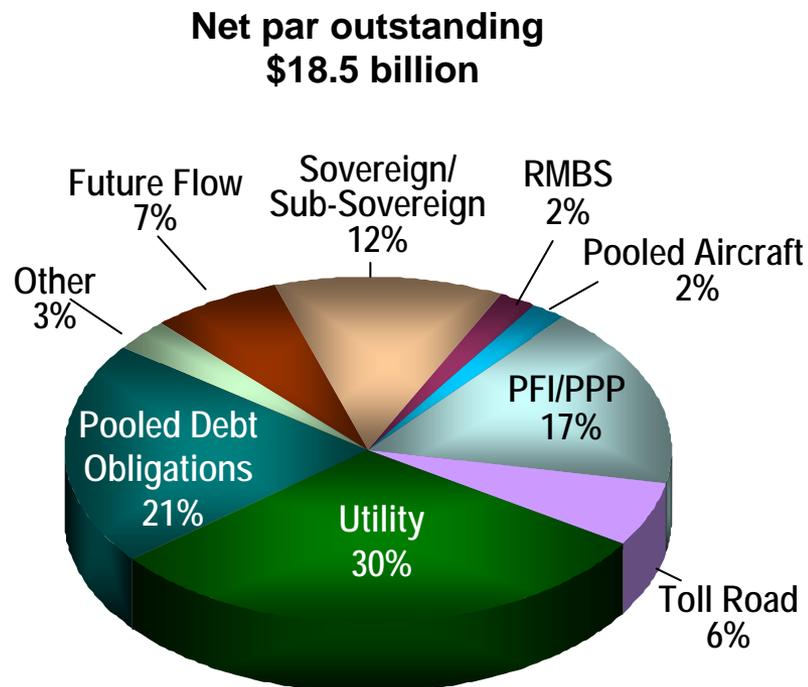
<u>Description</u>	<u>NPO (\$ billion) as of 9/30/07</u>
Countrywide Home Equity Loan Trust Series 2006-H	1.5
GMAC Home Equity Loan Trust Series 2006-HE1	1.3
Capital One Auto Finance Trust Series 2006-C	1.2
GMAC Home Equity Loan Trust Series 2007-HE2	1.0
Santander Drive Auto Receivables Trust Series 2007-1	1.0
ABS CDO 2007	1.0
GMAC Home Equity Loan Trust Series 2006-HE5	0.9
ABS CDO 2006	0.9
ABS CDO 2005	0.9
Countrywide Home Equity Loan Trust Series 2007-C	0.8

**Top ten servicer exposures:
\$31.0 billion net par
outstanding (NPO)**

<u>Description</u>	<u>NPO (\$ billion) as of 9/30/07</u>
GMAC Mortgage, LLC*	8.1
Countrywide Home Loans, Inc.	7.8
Homecomings Financial, LLC*	6.3
Capital One Auto Finance, Inc.	2.0
IndyMac Bank, F.S.B.	1.5
Citi Residential Lending Inc.	1.2
Aircastle Limited	1.2
Santander Consumer USA Inc.	1.0
Saxon Mortgage Services, Inc.	1.0
Specialized Loan Servicing LLC	0.9

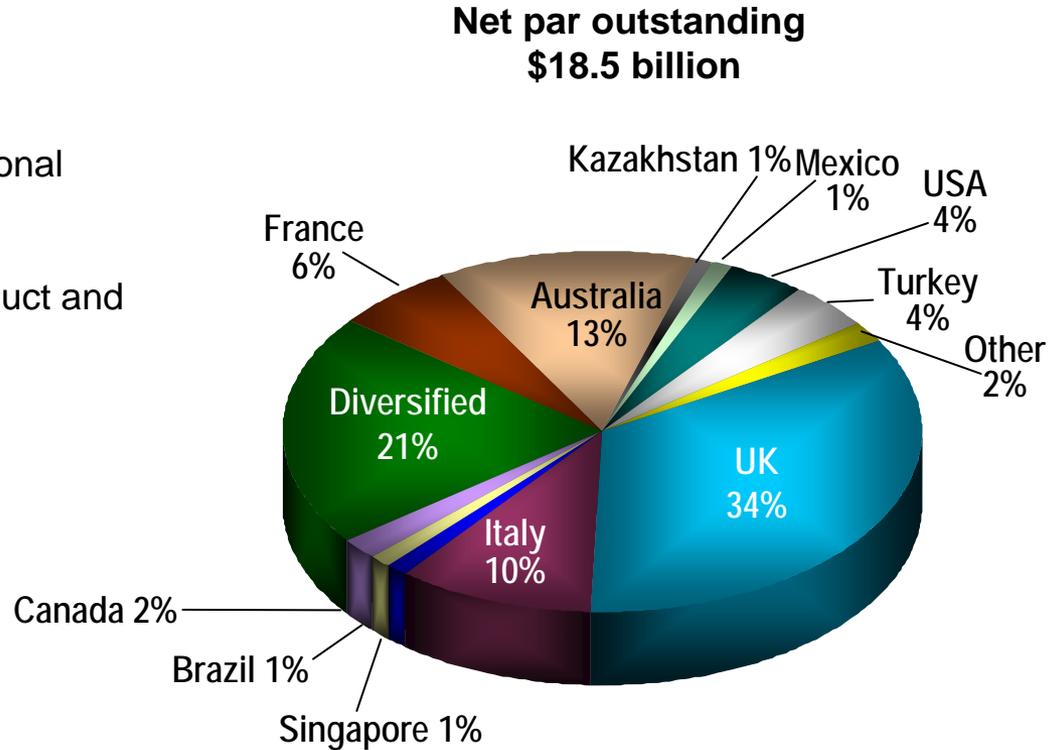
* GMAC and Homecomings have been combined recently under one servicing platform.

- 6% 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



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



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Financial Highlights



FGIC

Financial Highlights – Consolidated



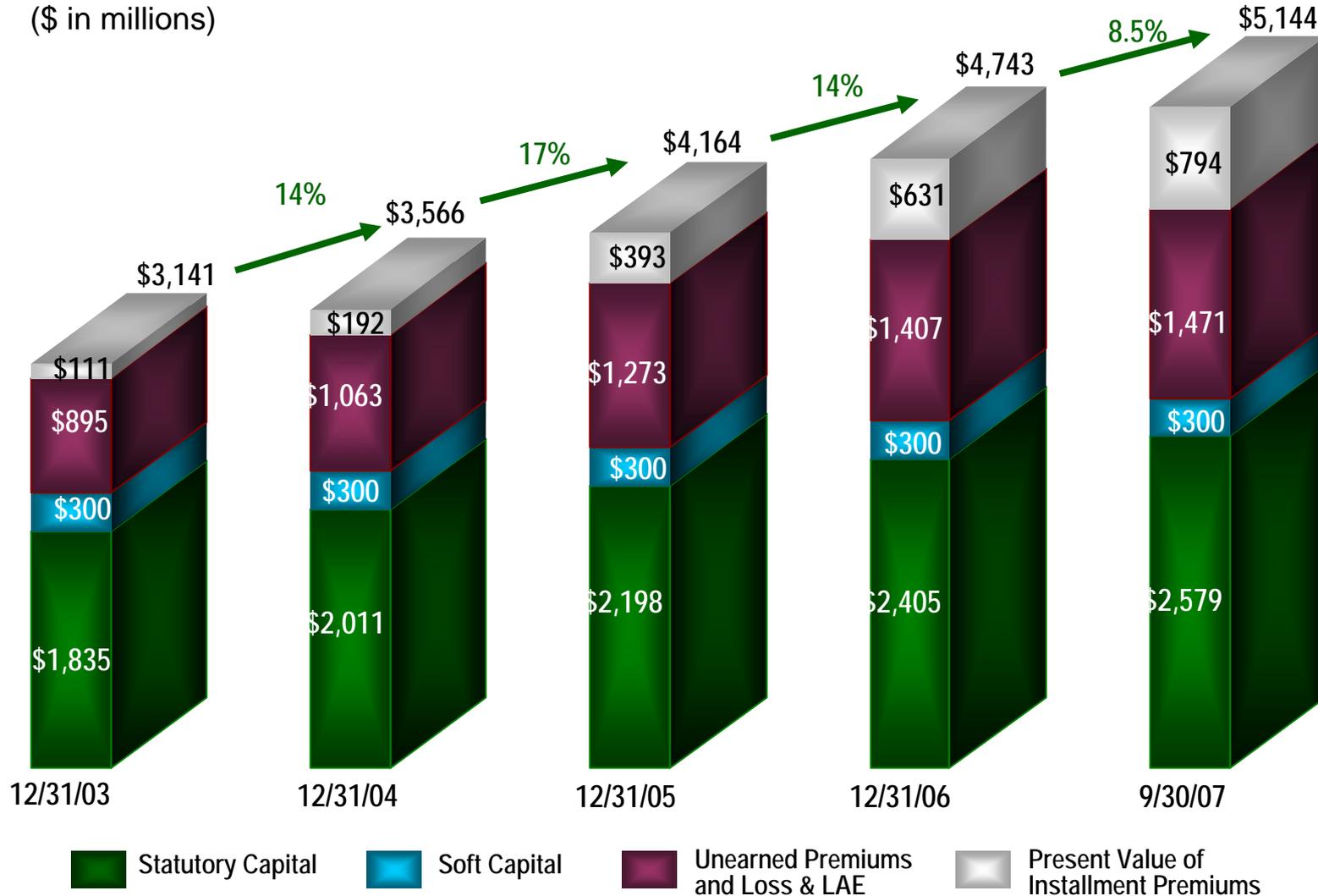
(\$ in millions)	Year Ended December 31,			Nine Months
	2004	2005	2006	Ended 09/30/07
Income Statement				
Net Premiums Written	\$314	\$381	\$367	\$278
Net Premiums Earned	175	225	267	232
Net Investment Income	98	119	140	117
Net Realized Gains	1	-	-	-
Net Income	157	190	248	77
Balance Sheet (a)				
Total Invested Assets	\$3,149	\$3,458	\$3,867	\$4,068
Total Assets	3,422	3,748	4,263	5,355
Unearned Premium Reserves	1,043	1,201	1,348	1,442
Loss and LAE Reserves	39	55	40	40
Stockholders' Equity	1,918	2,079	2,354	2,441
GAAP Ratios (b)				
Loss Ratio	3.4%	8.2%	(3.3%)	(2.7%)
Expense Ratio	24.7%	22.4%	23.8%	24.0%
Combined Ratio	28.1%	30.7%	20.5%	21.3%

(a) Excludes variable interest entities.

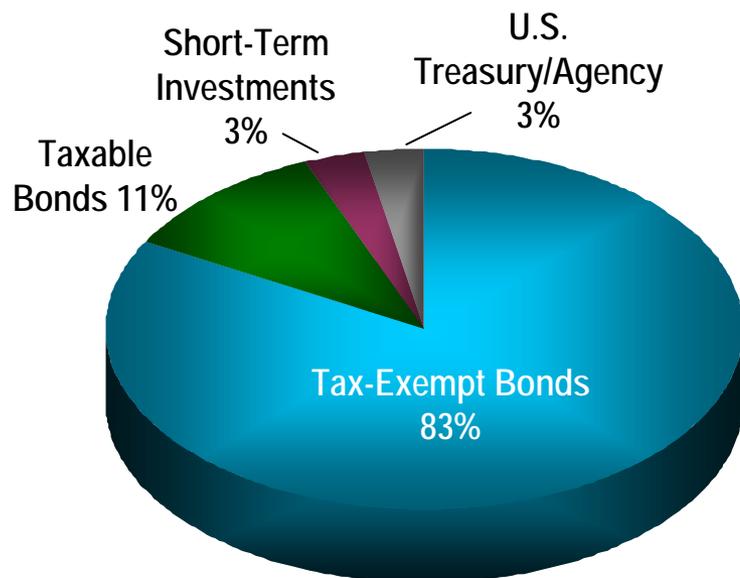
(b) Ratios relate solely to Financial Guaranty Insurance Company.

Claims Paying Resources

(\$ in millions)



Financial Guaranty Portfolio ⁽¹⁾



- Fixed income securities
- Portfolio market value \$4.0 billion
- 79% of portfolio rated AAA: ⁽²⁾
 - Double-A weighted average credit quality
- Consistent and predictable income source

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

⁽²⁾ Ratings are based on Standard & Poor's ratings or, if unavailable, Moody's ratings. Includes municipal bonds that have been refunded or defeased with U.S. Treasury and/or Agency obligations, but not necessarily re-rated by Standard & Poor's or Moody's. The Company considers the credit quality of these bonds, which comprise approximately 1% of the investment portfolio, to be AAA.

“Financial Guaranty Insurance Company’s (FGIC) ‘AAA’ insurer financial strength (IFS) rating reflects the company’s well-established name within the financial guaranty industry, a high-quality public finance portfolio, a sufficient base of capital support and claims-paying resources, and higher earnings stemming from FGIC’s steady progress implementing a growth strategy....”

Source: *Fitch Ratings, Financial Guaranty Insurance Company, July 9, 2007*

“The Aaa insurance financial strength rating (IFSR) of Financial Guaranty Insurance Company (FGIC) reflects the company's strong capital base, established franchise and existing earnings stream. The rating also considers a substantial strategic shift for FGIC, which is seeking to increase returns by expanding its existing business lines into segments where the guarantor was underrepresented. Moody's recognizes that, although there are execution challenges associated with the firm's shifting strategy, FGIC's solid book of low risk business and well-established reputation in its traditional target markets (primarily within the U.S. municipal sector) help to mitigate such challenges. To date, the firm has prudently expanded its insured portfolio and operating infrastructure.”

Source: *Moody's Investors Service, July 5, 2007*

“The 'AAA' financial strength and financial enhancement ratings on Financial Guaranty Insurance Co. (FGIC) reflect the company's strong market position and franchise value, solid management team, and low-risk insured portfolio, along with the continued successful implementation of an expanded business plan that has led to top-line and bottom-line improvements for the company.”

Source: *Standard & Poor's, Financial Guaranty Insurance Co., June 14, 2007*

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 \$5.1 billion
- ✓ 83% of insured portfolio rated "A" or better
- ✓ High-quality investment portfolio: "AA" average rating
- ✓ Strong, experienced management team

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