



## **MBIA Inc. Second Quarter 2023 Financial Results**

August 2, 2023

MBIA Inc. (NYSE:MBI) (the Company) today reported a consolidated GAAP net loss of \$74 million, or \$(1.46) per share, for the second quarter of 2023 compared to a consolidated GAAP net loss of \$36 million, or \$(0.72) per share, for the second quarter of 2022. The greater net loss was primarily due to an unfavorable variance of net gains/losses on financial instruments in variable interest entities (VIEs) consolidated at MBIA Insurance Corporation (MBIA Corp.), partially offset by favorable variances of investment and other realized net gains/losses for National Public Finance Guarantee Corporation (National). The unfavorable variance of net gains/losses on financial instruments in VIEs consolidated at MBIA Corp. was due largely to the release of credit risk losses in 2023 and gains in 2022 from accumulated other comprehensive income from the redemption of consolidated insured bonds.

Book value per share was negative \$19.21 as of June 30, 2023 compared with a negative \$16.07 as of December 31, 2022. The decrease in book value per share since year-end 2022 was primarily due to the net loss for the first six months of 2023.

The Company also reported an Adjusted Net Loss (a non-GAAP measure defined in the attached Explanation of Non-GAAP Financial Measures) of \$22 million or \$(0.45) per diluted share for the second quarter of 2023 compared with an Adjusted Net Loss of \$47 million or \$(0.93) per diluted share for the second quarter of 2022. The favorable result was primarily due to lower loss and LAE expense at National due to 2022 losses on Puerto Rico Highways & Transportation Authority exposure, partially offset by higher losses on Puerto Rico Electric Power Authority exposure.

Adjusted Net Income (Loss) provides investors with views of the Company's operating results that management uses in measuring financial performance. Reconciliations of Adjusted Net Income (Loss) to net income, calculated in accordance with GAAP, are also attached.

### **Statement from Company Representative**

Bill Fallon, MBIA's Chief Executive Officer noted, "MBIA's financial results remain relatively stable as both of MBIA's insurance companies had modest adjustments to their losses and loss adjustment expenses. While we focus on the resolution of PREPA, we are endeavoring to enhance shareholder value through expense reductions, share repurchases, and active monitoring of our insurance portfolios."

## **Year-to-Date Results**

The Company recorded a consolidated GAAP net loss of \$167 million, or \$(3.51) per diluted common share, for the six months ended June 30, 2023 compared with a consolidated GAAP net loss of \$109 million, or \$(2.20) per diluted common share, for the first six months of 2022. The greater net loss was primarily due to reduced fair value gains on interest rate swaps at the Corporate Segment and the second quarter's unfavorable variance of net gains/losses on financial instruments in variable interest entities (VIEs) consolidated at MBIA Corp. The lower fair value gains on interest rate swaps resulted from a lower increase in interest rates in 2023 versus 2022. The unfavorable variance of net gains/losses on financial instruments in VIEs consolidated at MBIA Corp. was due largely to the release of credit risk losses in 2023 and gains in 2022 from accumulated other comprehensive income from the redemption of consolidated insured bonds.

The Company's non-GAAP Adjusted Net Loss for the six months ended June 30, 2023 was \$23 million or \$(0.47) per diluted share compared with an Adjusted Net Loss of \$143 million or \$(2.87) per diluted share for the first six months of 2022. The lower adjusted net loss for the first six months of 2023 was primarily due to lower losses and LAE at National that largely resulted from its insured Puerto Rico exposure.

### **MBIA Inc.**

As of June 30, 2023, MBIA Inc.'s liquidity position totaled \$197 million, consisting primarily of cash and cash equivalents and liquid invested assets.

During the second quarter of 2023, National purchased 2.9 million shares of MBIA Inc. common stock at an average price of \$8.06 per share. Subsequent to June 30, 2023, MBIA Inc. acquired an additional 108 thousand shares of MBIA Inc. common stock at an average price of \$8.46 per share. As of July 26, 2023, there was \$76 million of remaining capacity under the Company's share repurchase authorization and 51.9 million of the Company's common shares outstanding.

### **National Public Finance Guarantee Corporation**

National had statutory capital of \$1.9 billion and claims-paying resources totaling \$2.4 billion as of June 30, 2023. National's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$2.2 billion as of June 30, 2023. National's insured portfolio declined by \$0.6 billion during the quarter, ending the quarter with \$30.5 billion of gross par outstanding. National ended the quarter with a leverage ratio of gross par to statutory capital of 16 to 1, unchanged from year-end 2022.

### **MBIA Insurance Corporation**

The statutory capital of MBIA Insurance Corporation as of June 30, 2023 was \$148 million and claims-paying resources totaled \$561 million. MBIA Insurance Corporation's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$198 million as of June 30, 2023.

## **Conference Call**

The Company will host a webcast and conference call for investors tomorrow, Thursday, August 3 at 8:00 AM (ET) to discuss its second quarter 2023 financial results and other matters relating to the Company. The webcast and conference call will consist of brief remarks followed by a question and answer session.

The dial-in number for the call is (800) 267-6316 in the U.S. and (203) 518-9783 from outside the U.S. The conference call code is MBIAQ223. A live webcast of the conference call will also be accessible on [www.mbia.com](http://www.mbia.com).

A replay of the conference call will become available approximately two hours after the completion of the call and will remain available until 11:59 p.m. on August 10 by dialing (888) 276-5302 in the U.S. or (402) 220-2331 from outside the U.S. In addition, a recorded replay of the call will become available on the Company's website approximately two hours after the completion of the call.

## **Forward-Looking Statements**

This release includes statements that are not historical or current facts and are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words "believe," "anticipate," "project," "plan," "expect," "estimate," "intend," "will," "will likely result," "looking forward," or "will continue," and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, including, among other factors, the possibility that MBIA Inc. or National will experience increased credit losses or impairments on public finance obligations issued by state, local and territorial governments and finance authorities that are experiencing unprecedented fiscal stress; the possibility that loss reserve estimates are not adequate to cover potential claims; MBIA Inc.'s or National's ability to fully implement their strategic plan; changes in general economic and competitive conditions; and the impact on our insured portfolios or business operations caused by the global spread of the novel coronavirus COVID-19. These and other factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying MBIA Inc.'s or National's forward-looking statements are discussed under the "Risk Factors" section in MBIA Inc.'s most recent Annual Report on Form 10-K and Quarterly Report on Form 10-Q, which may be updated or amended in MBIA Inc.'s subsequent filings with the Securities and Exchange Commission. MBIA Inc. and National caution readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. National and MBIA Inc. undertake no obligation to publicly correct or update any forward-looking statement if it later becomes aware that such result is not likely to be achieved.

MBIA Inc., headquartered in Purchase, New York is a holding company whose subsidiaries provide financial guarantee insurance for the public and structured finance markets. Please visit MBIA's website at [www.mbia.com](http://www.mbia.com).

## **Explanation of Non-GAAP Financial Measures**

The following are explanations of why the Company believes that the non-GAAP financial measures used in this press release, which serve to supplement GAAP information, are meaningful to investors.

**Adjusted Net Income (Loss):** Adjusted Net Income (Loss) is a useful measurement of performance because it measures income from the Company excluding its international and structured finance insurance segment, comprising the results of MBIA Corp. which given its capital structure and business prospects, we do not expect its financial performance to have a material impact on MBIA Inc. Also excluded from Adjusted Net Income (Loss) are investment portfolio realized gains and losses, gains and losses on financial instruments at fair value and foreign exchange, and realized gains and losses on extinguishment of debt. Adjusted Net Income (Loss) eliminates the tax provision (benefit) as a result of a full valuation allowance against the Company's net deferred tax asset. Trends in the underlying profitability of the Company's businesses can be more clearly identified without the fluctuating effects of the excluded items previously noted. Adjusted Net Income (Loss) as defined by the Company does not include all revenues and expenses required by GAAP. Adjusted Net Income (Loss) is not a substitute for and should not be viewed in isolation from GAAP net income.

Adjusted Net Income (Loss) per share represents that amount of Adjusted Net Income (Loss) allocated to each fully diluted weighted-average common share outstanding for the measurement period.

MBIA management further adjusts Adjusted Net Income (Loss) and Adjusted Net Income (Loss) per share by removing the impact of our U.S. public finance insurance segment VIE consolidations. GAAP requires the Company to consolidate certain VIEs that have issued debt obligations insured by the Company. However, since the Company does not own such VIEs, management uses certain measures that remove the impact of VIE consolidations for our U.S. public finance insurance segment in order to reflect financial exposure limited to its financial guaranty contracts.

**Book Value adjustments:** Management adjusts GAAP book value to remove the book value of MBIA Corp. and for certain items which the Company believes will reverse from GAAP book value through GAAP earnings and comprehensive income, as well as add in the impact of certain items which the Company believes will be realized in GAAP book value in future periods. The Company has limited such adjustments to those items that it deems to be important when measuring financial performance and for which the likelihood and amount can be reasonably estimated. The following provides a description of management's adjustments to GAAP book value:

- *Negative book value of MBIA Corp.* - We remove the negative book value of MBIA Corp. based on our view that given MBIA Corp.'s current financial condition, the regulatory regime in which it operates, the priority given to its policyholders, surplus note holders and preferred stock holders with respect to

the distribution of assets, and its legal structure, it is not and will not likely be in a position to upstream any economic benefit to MBIA Inc. Further, MBIA Inc. does not face any material financial liability arising from MBIA Corp.

- *Net unrealized (gains) losses on available-for-sale ("AFS") securities excluding MBIA Corp.* - We remove net unrealized gains and losses on AFS securities recorded in accumulated other comprehensive income since they will reverse from GAAP book value when such securities mature. Gains and losses from sales and impairment of AFS securities are recorded in book value through earnings.
- *Net unearned revenue in excess of expected losses of National* - We include net unearned premium revenue in excess of expected losses. Net unearned premium revenue in excess of expected losses consists of the financial guarantee unearned premium revenue of National in excess of expected insurance losses, net of reinsurance and deferred acquisition costs. In accordance with GAAP, a loss reserve on a financial guarantee policy is only recorded when expected losses exceed the amount of unearned premium revenue recorded for that policy. As a result, we only add to GAAP book value the amount of unearned premium revenue in excess of expected losses for each policy in order to reflect the full amount of our expected losses. The Company's net unearned premium revenue will be recognized in GAAP book value in future periods, however, actual amounts could differ from estimated amounts due to such factors as credit defaults and policy terminations, among others.

**Claims-paying Resources (CPR):** CPR is a key measure of the resources available to National and MBIA Corp. to pay claims under their respective insurance policies. CPR consists of total financial resources and reserves calculated on a statutory basis. CPR has been a common measure used by financial guarantee insurance companies to report and compare resources and continues to be used by MBIA's management to evaluate changes in such resources. The Company has provided CPR to allow investors and analysts to evaluate National and MBIA Corp. using the same measure that MBIA's management uses to evaluate their resources to pay claims under their respective insurance policies. There is no directly comparable GAAP measure.

**Leverage Ratio:** Gross Par Outstanding divided by Statutory Capital (Policyholders' Surplus plus Contingency Reserve).

## **Contacts**

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**MBIA INC. AND SUBSIDIARIES**  
**CONSOLIDATED BALANCE SHEETS (Unaudited)**  
(In millions except share and per share amounts)

	<b>June 30, 2023</b>	<b>December 31, 2022</b>
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$1,914 and \$2,044)	\$ 1,725	\$ 1,812
Investments carried at fair value	346	511
Short-term investments, at fair value (amortized cost \$374 and \$353)	374	353
Total investments	2,445	2,676
Cash and cash equivalents	208	50
Premiums receivable (net of allowance for credit losses \$0 and \$0)	155	160
Deferred acquisition costs	33	35
Insurance loss recoverable	100	137
Assets held for sale	88	80
Other assets	65	73
Assets of consolidated variable interest entities:		
Cash	7	16
Investments carried at fair value	22	47
Loans receivable at fair value	70	78
Other assets	64	23
<b>Total assets</b>	<b>\$ 3,257</b>	<b>\$ 3,375</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 249	\$ 266
Loss and loss adjustment expense reserves	361	439
Long-term debt	2,505	2,428
Medium-term notes (includes financial instruments carried at fair value of \$38 and \$41)	494	501
Investment agreements	236	233
Derivative liabilities	48	49
Liabilities held for sale	70	61
Other liabilities	84	94
Liabilities of consolidated variable interest entities:		
Variable interest entity debt (includes financial instruments carried at fair value of \$183 and \$172)	186	174
Derivative liabilities	12	6
<b>Total liabilities</b>	<b>4,245</b>	<b>4,251</b>
Equity:		
Preferred stock, par value \$1 per share; authorized shares--10,000,000; issued and outstanding--none	-	-
Common stock, par value \$1 per share; authorized shares--400,000,000; issued shares--283,186,115 and 283,186,115	283	283
Additional paid-in capital	2,915	2,925
Retained earnings (deficit)	(820)	(653)
Accumulated other comprehensive income (loss), net of tax of \$7 and \$8	(213)	(283)
Treasury stock, at cost--231,143,200 and 228,333,444 shares	(3,165)	(3,154)
Total shareholders' equity of MBIA Inc.	(1,000)	(882)
Preferred stock of subsidiary and noncontrolling interest held for sale	12	6
<b>Total equity</b>	<b>(988)</b>	<b>(876)</b>
<b>Total liabilities and equity</b>	<b>\$ 3,257</b>	<b>\$ 3,375</b>

**MBIA INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)**

(In millions except share and per share amounts)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 8	\$ 10	\$ 18	\$ 21
Refunding premiums earned	-	1	-	5
Premiums earned (net of ceded premiums of \$0, \$0, \$0 and \$1)	8	11	18	26
Net investment income	38	25	63	43
Net realized investment gains (losses)	(7)	(21)	(10)	(24)
Net gains (losses) on financial instruments at fair value and foreign exchange	11	9	(1)	26
Net gains (losses) on extinguishment of debt	1	4	1	4
Fees and reimbursements	-	4	-	4
Other net realized gains (losses)	1	(16)	1	(19)
Revenues of consolidated variable interest entities:				
Net gains (losses) on financial instruments at fair value and foreign exchange	(21)	24	(24)	20
Other net realized gains (losses)	(3)	-	(18)	-
Total revenues	28	40	30	80
<b>Expenses:</b>				
Losses and loss adjustment	28	20	35	69
Amortization of deferred acquisition costs	1	1	2	3
Operating	20	11	42	30
Interest	53	43	104	84
Expenses of consolidated variable interest entities:				
Operating	4	1	8	3
Total expenses	106	76	191	189
Income (loss) from continuing operations before income taxes	(78)	(36)	(161)	(109)
Provision (benefit) for income taxes	-	-	-	-
Income (loss) from continuing operations	(78)	(36)	(161)	(109)
Income (loss) from discontinued operations, net of income taxes	3	-	-	-
<b>Net income (loss)</b>	<b>(75)</b>	<b>(36)</b>	<b>(161)</b>	<b>(109)</b>
Less: Net Income (loss) from discontinued operations attributable to noncontrolling interest	(1)	-	6	-
<b>Net income (loss) attributable to MBIA Inc.</b>	<b>\$ (74)</b>	<b>\$ (36)</b>	<b>\$ (167)</b>	<b>\$ (109)</b>
<b>Net income (loss) per common share attributable to MBIA Inc. - basic and diluted:</b>				
Continuing operations	\$ (1.52)	\$ (0.72)	\$ (3.38)	\$ (2.20)
Discontinuing operations	0.06	-	(0.13)	-
Net income (loss) per common share attributable to MBIA Inc. - basic and diluted	<b>\$ (1.46)</b>	<b>\$ (0.72)</b>	<b>\$ (3.51)</b>	<b>\$ (2.20)</b>
<b>Weighted average number of common shares outstanding:</b>				
Basic	49,040,489	49,826,695	49,490,701	49,729,610
Diluted	49,040,489	49,826,695	49,490,701	49,729,610

## ADJUSTED NET INCOME (LOSS) RECONCILIATION<sup>(1)</sup>

(In millions except per share amounts)

	<b>Three Months Ended</b>		<b>Six Months Ended</b>	
	<b>June 30,</b>		<b>June 30,</b>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Net income (loss)	\$ (74)	\$ (36)	\$ (167)	\$ (109)
Less: adjusted net income (loss) adjustments:				
Net income (loss) from discontinued operations, net of noncontrolling interest	4	-	(6)	-
Income (loss) before income taxes of the international and structured finance insurance segment and eliminations	(61)	23	(130)	18
Adjustments to income before income taxes of the U.S. public finance insurance and corporate segments:				
Mark-to-market gains (losses) on financial instruments <sup>(2)</sup>	12	13	5	37
Foreign exchange gains (losses) <sup>(2)</sup>	(1)	13	(4)	19
Net realized investment gains (losses)	(7)	(21)	(10)	(23)
Net gains (losses) on extinguishment of debt	1	5	1	5
Net investment losses related to impairments of securities <sup>(3)</sup>	-	(22)	-	(22)
Adjusted net income adjustment to the (provision) benefit for income tax	-	-	-	-
Adjusted net income (loss)	<u>\$ (22)</u>	<u>\$ (47)</u>	<u>\$ (23)</u>	<u>\$ (143)</u>
Adjusted net income (loss) per diluted common share	\$ (0.45)	\$ (0.93)	\$ (0.47)	\$ (2.87)

(1) A non-GAAP measure; please see Explanation of non-GAAP Financial Measures.

(2) Reported within "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statement of operations.

(3) Reported within "Other net realized gains (losses)" on the Company's consolidated statements of operations.

## COMPONENTS OF BOOK VALUE PER SHARE

	<u>As of</u> <u>June 30, 2023</u>	<u>As of</u> <u>December 31, 2022</u>
<b>Reported Book Value per Share</b>	<u>\$ (19.21)</u>	<u>\$ (16.07)</u>
Management's book value per share adjustments:		
Remove negative book value of MBIA Corp.	(41.88)	(37.76)
Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss)	(3.43)	(3.96)
Include net unearned premium revenue in excess of expected losses	3.06	3.08
Shares outstanding in millions	52.0	54.9

## INSURANCE OPERATIONS

### Selected Financial Data Computed on a Statutory Basis

(Dollars in millions)

#### National Public Finance Guarantee Corporation

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Policyholders' surplus	\$ 1,540	\$ 1,545
Contingency reserves	374	379
Statutory capital	1,914	1,924
Unearned premiums	250	262
Present value of installment premiums <sup>(1)</sup>	109	110
Premium resources <sup>(2)</sup>	359	372
Net loss and loss adjustment expense reserves <sup>(1)</sup>	48	(140)
Salvage reserves on paid claims <sup>(1)</sup>	71	288
Gross loss and loss adjustment expense reserves	119	148
Total claims-paying resources	<u>\$ 2,392</u>	<u>\$ 2,444</u>
Net debt service outstanding	\$ 59,241	\$ 61,616
Gross par outstanding	\$ 30,478	\$ 31,652
Capital ratio <sup>(3)</sup>	31:1	32:1
Claims-paying ratio <sup>(4)</sup>	25:1	25:1
Leverage Ratio <sup>(5)</sup>	16:1	16:1

#### MBIA Insurance Corporation

	<u>June 30, 2023</u>	<u>December 31, 2022</u>
Policyholders' surplus	\$ 143	\$ 164
Contingency reserves	5	5
Statutory capital	148	169
Unearned premiums	34	36
Present value of installment premiums <sup>(6)(8)</sup>	29	34
Premium resources <sup>(2)</sup>	63	70
Net loss and loss adjustment expense reserves <sup>(6)</sup>	94	35
Salvage reserves on paid claims <sup>(6)(7)</sup>	256	395
Gross loss and loss adjustment expense reserves	350	430
Total claims-paying resources	<u>\$ 561</u>	<u>\$ 669</u>
Net debt service outstanding	\$ 4,093	\$ 4,395
Capital ratio <sup>(3)</sup>	28:1	26:1
Claims-paying ratio <sup>(4)</sup>	7:1	7:1

(1) Calculated using discount rates of 4.29% as of June 30, 2023 and December 31, 2022.

(2) Includes financial guarantee and insured credit derivative related premiums.

(3) Net debt service outstanding divided by statutory capital.

(4) Net debt service outstanding divided by the sum of statutory capital, unearned premium reserve (after-tax), present value of installment premiums (after-tax), net loss and loss adjustment expense reserves and salvage reserves.

(5) Gross par outstanding divided by statutory capital.

(6) Calculated using discount rates of 5.53% as of June 30, 2023 and December 31, 2022.

(7) This amount primarily consists of expected recoveries related to the payment of claims on insured CDOs and RMBS.

(8) Based on the Company's estimate of the remaining life for its insured exposures.