

MBIA Inc. Third Quarter 2023 Financial Results

November 2, 2023

MBIA Inc. (NYSE:MBI) (the Company) today reported a consolidated GAAP net loss of \$185 million, or \$(3.94) per share, for the third quarter of 2023 compared to a consolidated GAAP net loss of \$34 million, or \$(0.67) per share, for the third quarter of 2022. The adverse result versus last year's third quarter was primarily due to an unfavorable variance of losses and loss adjustment expenses (LAE) at National Public Finance Guarantee Corporation (National), primarily due to greater losses and LAE associated with National's Puerto Rico Electric Power Authority (PREPA) exposure.

Book value per share was negative \$24.22 as of September 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 nine 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 \$138 million or \$(2.92) per diluted share for the third quarter of 2023 compared with Adjusted Net Loss of \$17 million or \$(0.34) per diluted share for the third quarter of 2022. The unfavorable result was primarily due to increased losses and LAE at National that primarily related to its insurance of PREPA debt.

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.

Year-to-Date Results

The Company recorded a consolidated GAAP net loss of \$353 million, or \$(7.25) per diluted common share, for the nine months ended September 30, 2023 compared with a consolidated GAAP net loss of \$143 million, or \$(2.87) per diluted common share, for the first nine months of 2022. The greater net loss for 2023 was largely due to reduced incurred losses and LAE benefits at MBIA Insurance Corporation (MBIA Corp.) on RMBS transactions insured by MBIA Corp.; reduced marked-to-market gains on interest rate swaps; an unfavorable variance in losses of RMBS-related variable interest entities (VIEs) consolidated at MBIA Corp., largely due to effects associated with the deconsolidation of several MBIA-insured structured finance transactions.

The Company's non-GAAP Adjusted Net Loss for the nine months ended September 30, 2023 was \$161 million or \$(3.31) per diluted share compared with an Adjusted Net Loss of \$160 million or \$(3.21) per diluted share for the first nine months of 2022.

MBIA Inc.

As of September 30, 2023, MBIA Inc.'s liquidity position totaled \$194 million, consisting primarily of cash and cash equivalents and liquid invested assets. During the third quarter of 2023, MBIA Inc. acquired 672 thousand shares of MBIA Inc. common stock at an average price of \$8.38 per share. There were no purchases of MBIA shares subsequent to September 30, 2023. As of October 26, 2023, there was \$71 million of remaining capacity under the Company's share repurchase authorization and 51.1 million of the Company's common shares outstanding.

National Public Finance Guarantee Corporation

National had statutory capital of \$1.8 billion and claims-paying resources totaling \$2.3 billion as of September 30, 2023. National's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$2.0 billion as of September 30, 2023. National's insured portfolio declined by \$1.4 billion during the quarter, ending the quarter with \$29.1 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 September 30, 2023 was \$145 million and claims-paying resources totaled \$502 million. MBIA Insurance Corporation's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$194 million as of September 30, 2023.

Conference Call

The Company will host a webcast and conference call for investors tomorrow, Friday, November 3, 2023 at 8:00 AM (ET) to discuss its third 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 MBIAQ323. A live webcast of the conference call will also be accessible on 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 November 10 by dialing (800) 839-8318 in the U.S. or (402) 220-6071 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.

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

MBIA Inc.

Greg Diamond, 914-765-3190

Managing Director, Head of
Investor and Media Relations

greg.diamond@mbia.com

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

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$1,808 and \$2,044)	\$ 1,555	\$ 1,812
Investments carried at fair value	346	511
Short-term investments, at fair value (amortized cost \$444 and \$353)	444	353
Other investments at amortized cost	3	-
Total investments	<u>2,348</u>	<u>2,676</u>
Cash and cash equivalents	70	50
Premiums receivable (net of allowance for credit losses \$0 and \$0)	151	160
Deferred acquisition costs	32	35
Insurance loss recoverable	177	137
Assets held for sale	74	80
Other assets	78	73
Assets of consolidated variable interest entities:		
Cash	4	16
Investments carried at fair value	22	47
Loans receivable at fair value	32	78
Other assets	2	23
Total assets	<u>\$ 2,990</u>	<u>\$ 3,375</u>
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 240	\$ 266
Loss and loss adjustment expense reserves	450	439
Long-term debt	2,546	2,428
Medium-term notes (includes financial instruments carried at fair value of \$37 and \$41)	495	501
Investment agreements	225	233
Derivative liabilities	23	49
Liabilities held for sale	65	61
Other liabilities	82	94
Liabilities of consolidated variable interest entities:		
Variable interest entity debt (includes financial instruments carried at fair value of \$78 and \$172)	81	174
Derivative liabilities	11	6
Total liabilities	<u>4,218</u>	<u>4,251</u>
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	2,919	2,925
Retained earnings (deficit)	(1,006)	(653)
Accumulated other comprehensive income (loss), net of tax of \$7 and \$8	(263)	(283)
Treasury stock, at cost--232,046,875 and 228,333,444 shares	<u>(3,172)</u>	<u>(3,154)</u>
Total shareholders' equity of MBIA Inc.	(1,239)	(882)
Preferred stock of subsidiary and noncontrolling interest held for sale	11	6
Total equity	<u>(1,228)</u>	<u>(876)</u>
Total liabilities and equity	<u>\$ 2,990</u>	<u>\$ 3,375</u>

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

(In millions except share and per share amounts)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Revenues:				
Premiums earned:				
Scheduled premiums earned	\$ 9	\$ 10	\$ 27	\$ 31
Refunding premiums earned	1	1	1	6
Premiums earned (net of ceded premiums of \$0, \$0, \$0 and \$1)	10	11	28	37
Net investment income	26	24	89	67
Net realized investment gains (losses)	(13)	(13)	(23)	(37)
Net gains (losses) on financial instruments at fair value and foreign exchange	21	25	20	51
Net gains (losses) on extinguishment of debt	-	-	1	4
Fees and reimbursements	-	-	-	4
Other net realized gains (losses)	(6)	1	(5)	(18)
Revenues of consolidated variable interest entities:				
Net gains (losses) on financial instruments at fair value and foreign exchange	(23)	(36)	(47)	(16)
Other net realized gains (losses)	(7)	5	(25)	5
Total revenues	8	17	38	97
Expenses:				
Losses and loss adjustment	123	(12)	158	57
Amortization of deferred acquisition costs	1	2	3	5
Operating	15	14	57	44
Interest	53	46	157	130
Expenses of consolidated variable interest entities:				
Operating	1	2	9	5
Total expenses	193	52	384	241
Income (loss) from continuing operations before income taxes	(185)	(35)	(346)	(144)
Provision (benefit) for income taxes	-	-	-	-
Income (loss) from continuing operations	(185)	(35)	(346)	(144)
Income (loss) from discontinued operations, net of income taxes	(1)	1	(2)	1
Net income (loss)	(186)	(34)	(348)	(143)
Less: Net Income (loss) from discontinued operations attributable to noncontrolling interest	(1)	-	5	-
Net income (loss) attributable to MBIA Inc.	\$ (185)	\$ (34)	\$ (353)	\$ (143)
Net income (loss) per common share attributable to MBIA Inc. - basic and diluted:				
Continuing operations	\$ (3.93)	\$ (0.68)	\$ (7.10)	\$ (2.88)
Discontinuing operations	(0.01)	0.01	(0.15)	0.01
Net income (loss) per common share attributable to MBIA Inc. - basic and diluted	\$ (3.94)	\$ (0.67)	\$ (7.25)	\$ (2.87)
Weighted average number of common shares outstanding:				
Basic	47,009,765	49,878,191	48,654,638	49,779,681
Diluted	47,009,765	49,878,191	48,654,638	49,779,681

ADJUSTED NET INCOME (LOSS) RECONCILIATION⁽¹⁾

(In millions except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2023	2022	2023	2022
Net income (loss)	\$ (185)	\$ (34)	\$ (353)	\$ (143)
Less: adjusted net income (loss) adjustments:				
Net income (loss) from discontinued operations, net of noncontrolling interest	-	1	(7)	1
Income (loss) before income taxes of the international and structured finance insurance segment and eliminations	(55)	(39)	(185)	(21)
Adjustments to income before income taxes of the U.S. public finance insurance and corporate segments:				
Mark-to-market gains (losses) on financial instruments ⁽²⁾	20	23	25	60
Foreign exchange gains (losses) ⁽²⁾	5	10	1	29
Net realized investment gains (losses)	(9)	(13)	(19)	(36)
Net gains (losses) on extinguishment of debt	-	-	1	5
Net investment losses related to impairments of securities ⁽³⁾	(8)	1	(8)	(21)
Adjusted net income adjustment to the (provision) benefit for income tax	-	-	-	-
Adjusted net income (loss)	\$ (138)	\$ (17)	\$ (161)	\$ (160)
Adjusted net income (loss) per diluted common share	\$ (2.92)	\$ (0.34)	\$ (3.31)	\$ (3.21)

(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

	As of September 30, 2023	As of December 31, 2022
Reported Book Value per Share	\$ (24.22)	\$ (16.07)
Management's book value per share adjustments:		
Remove negative book value of MBIA Corp.	(43.56)	(37.76)
Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss)	(4.58)	(3.96)
Include net unearned premium revenue in excess of expected losses	3.01	3.08
Shares outstanding in millions	51.1	54.9

INSURANCE OPERATIONS

Selected Financial Data Computed on a Statutory Basis

(Dollars in millions)

National Public Finance Guarantee Corporation

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Policyholders' surplus	\$ 1,406	\$ 1,545
Contingency reserves	359	379
Statutory capital	<u>1,765</u>	<u>1,924</u>
Unearned premiums	241	262
Present value of installment premiums ⁽¹⁾	107	110
Premium resources ⁽²⁾	<u>348</u>	<u>372</u>
Net loss and loss adjustment expense reserves ⁽¹⁾	76	(140)
Salvage reserves on paid claims ⁽¹⁾	151	288
Gross loss and loss adjustment expense reserves	<u>227</u>	<u>148</u>
Total claims-paying resources	<u>\$ 2,340</u>	<u>\$ 2,444</u>
Net debt service outstanding	\$ 56,908	\$ 61,616
Gross par outstanding	\$ 29,055	\$ 31,652
Capital ratio ⁽³⁾	32:1	32:1
Claims-paying ratio ⁽⁴⁾	24:1	25:1
Leverage Ratio ⁽⁵⁾	16:1	16:1

MBIA Insurance Corporation

	<u>September 30, 2023</u>	<u>December 31, 2022</u>
Policyholders' surplus	\$ 140	\$ 164
Contingency reserves	5	5
Statutory capital	<u>145</u>	<u>169</u>
Unearned premiums	31	36
Present value of installment premiums ⁽⁶⁾⁽⁸⁾	28	34
Premium resources ⁽²⁾	<u>59</u>	<u>70</u>
Net loss and loss adjustment expense reserves ⁽⁶⁾	31	35
Salvage reserves on paid claims ⁽⁶⁾⁽⁷⁾	267	395
Gross loss and loss adjustment expense reserves	<u>298</u>	<u>430</u>
Total claims-paying resources	<u>\$ 502</u>	<u>\$ 669</u>
Net debt service outstanding	\$ 3,709	\$ 4,395
Capital ratio ⁽³⁾	26:1	26:1
Claims-paying ratio ⁽⁴⁾	7:1	7:1

(1) Calculated using discount rates of 4.29% as of September 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 September 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.