



MBIA Inc. First Quarter 2022 Financial Results

May 9, 2022

MBIA Inc. (NYSE:MBI) (the Company) today reported a consolidated GAAP net loss of \$73 million, or \$(1.48) per diluted common share, for the first quarter of 2022 compared to a consolidated GAAP net loss of \$106 million, or \$(2.16) per diluted common share, for the first quarter of 2021. The lower net loss was primarily due to favorable variances of losses and loss adjustment expenses partially offset by lower net gains on financial instruments at fair value and foreign exchange. The favorable variance of loss and loss adjustment expenses largely resulted from lower losses on Puerto Rico credits at National Public Finance Guarantee Corporation (National) and lower reductions of salvage recoveries on Zohar CDO paid insurance claims at MBIA Insurance Corporation. Losses and loss adjustment expenses at National in the first quarter of 2022 included increased losses for PREPA, which were partially offset by loss benefits that reflected favorable changes to the value of collateral received or expected to be received, respectively, for its Puerto Rico General Obligation and Highway and Transportation Authority exposure. The lower net gains on financial instruments at fair value and foreign exchange included lower net gains from foreign exchange rates associated with the MBIA Global Funding medium term notes and greater losses on fair value option securities and trading securities at National.

Book value per share was negative \$10.29 as of March 31, 2022 compared with a negative \$5.73 as of December 31, 2021. The decrease in book value per share since year-end 2021 was largely due to unrealized losses on available-for-sale investments that resulted primarily from higher interest rates and the first quarter's net loss.

The Company also reported an Adjusted Net Loss (a non-GAAP measure defined in the attached Explanation of Non-GAAP Financial Measures) of \$96 million or \$(1.94) per diluted share for the first quarter of 2022 compared with an Adjusted Net Loss of \$116 million or \$(2.36) per diluted share for the first quarter of 2021. The favorable change was primarily due to lower losses and loss adjustment expenses at National related to its Puerto Rico 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 included below.

Statement from Company Representative

Bill Fallon, MBIA's Chief Executive Officer noted, "With the implementation of the Puerto Rico Commonwealth's Plan of Adjustment, all of National's insured Puerto Rico General Obligation and Public Building Authority insured exposure has been terminated or retired, which better positions us to pursue the next steps for delivering value to our shareholders."

MBIA Inc.

As of March 31, 2022, MBIA Inc.'s liquidity position totaled \$216 million, consisting primarily of cash and cash equivalents and liquid invested assets.

As of May 2, 2022, there were 54.9 million of MBIA Inc. common shares outstanding.

National Public Finance Guarantee Corporation

National had statutory capital of \$2.1 billion and claims-paying resources totaling \$2.9 billion as of March 31, 2022. National's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$2.2 billion as of March 31, 2022. On a statutory basis, National's net losses and LAE for the first quarter of 2022 was a benefit of \$86 million, which was the primary driver to National's \$104 million of statutory net income for the first quarter of 2022. National's insured portfolio declined by \$1.3 billion during the quarter, ending the quarter with \$35.2 billion of gross par outstanding. National ended the quarter with a leverage ratio of gross par to statutory capital of 17 to 1, down from 18 to 1 at year-end 2021.

MBIA Insurance Corporation

The statutory capital of MBIA Insurance Corporation as of March 31, 2022 was \$131 million and claims-paying resources totaled \$726 million. MBIA Insurance Corporation's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$469 million at March 31, 2022.

Conference Call

The Company will host a webcast and conference call for investors tomorrow, Tuesday, May 10 at 8:00 AM (ET) to discuss its first quarter 2022 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 (866) 831-8713 in the U.S. and (203) 518-9797 from outside the U.S. The conference call code is MBIAQ122. 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 May 17 by dialing (877) 829-9029 in the U.S. or (402) 220-1607 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

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

	March 31, 2022	December 31, 2021
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (net of allowance for credit losses \$3 and \$-, amortized cost \$2,710 and \$2,016)	\$ 2,677	\$ 2,157
Investments carried at fair value	356	258
Investments pledged as collateral, at fair value (amortized cost \$- and \$4)	-	4
Short-term investments, at fair value (amortized cost \$441 and \$374)	441	374
Total investments	3,474	2,793
Cash and cash equivalents	147	151
Premiums receivable (net of allowance for credit losses \$5 and \$5)	177	178
Deferred acquisition costs	41	42
Insurance loss recoverable	366	1,296
Other assets	81	67
Assets of consolidated variable interest entities:		
Cash	4	9
Investments carried at fair value	53	60
Loans receivable at fair value	76	77
Other assets	24	23
Total assets	\$ 4,443	\$ 4,696
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 308	\$ 322
Loss and loss adjustment expense reserves	886	894
Long-term debt	2,344	2,331
Medium-term notes (includes financial instruments carried at fair value of \$99 and \$98)	589	590
Investment agreements	274	274
Derivative liabilities	99	131
Other liabilities	210	163
Liabilities of consolidated variable interest entities:		
Variable interest entity notes carried at fair value	285	291
Total liabilities	4,995	4,996
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	2,931
Retained earnings (deficit)	(531)	(458)
Accumulated other comprehensive income (loss), net of tax of \$8 and \$8	(82)	100
Treasury stock, at cost--228,329,115 and 228,630,003 shares	(3,154)	(3,169)
Total shareholders' equity of MBIA Inc.	(565)	(313)
Preferred stock of subsidiary	13	13
Total equity	(552)	(300)
Total liabilities and equity	\$ 4,443	\$ 4,696

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

(In millions except share and per share amounts)

	Three Months Ended March 31,	
	2022	2021
Revenues:		
Premiums earned:		
Scheduled premiums earned	\$ 11	\$ 15
Refunding premiums earned	4	5
Premiums earned (net of ceded premiums of \$- and \$1)	15	20
Net investment income	18	15
Net realized investment gains (losses)	(3)	(1)
Net gains (losses) on financial instruments at fair value and foreign exchange	17	52
Other net realized gains (losses)	(3)	-
Revenues of consolidated variable interest entities:		
Net gains (losses) on financial instruments at fair value and foreign exchange	(4)	(14)
Total revenues	40	72
Expenses:		
Losses and loss adjustment	49	98
Amortization of deferred acquisition costs	2	2
Operating	19	26
Interest	41	41
Expenses of consolidated variable interest entities:		
Operating	2	2
Interest	-	9
Total expenses	113	178
Income (loss) before income taxes	(73)	(106)
Provision (benefit) for income taxes	-	-
Net income (loss)	\$ (73)	\$ (106)
Net income (loss) per common share:		
Basic	\$ (1.48)	\$ (2.16)
Diluted	\$ (1.48)	\$ (2.16)
Weighted average number of common shares outstanding:		
Basic	49,631,448	49,258,110
Diluted	49,631,448	49,258,110

ADJUSTED NET INCOME (LOSS) RECONCILIATION⁽¹⁾

(In millions except per share amounts)

	Three Months Ended	
	March 31,	
	2022	2021
Net income (loss)	\$ (73)	\$ (106)
Less: adjusted net income (loss) adjustments:		
Income (loss) before income taxes of the international and structured finance insurance segment and eliminations	(5)	(44)
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⁾	24	38
Foreign exchange gains (losses) ⁽²⁾	6	17
Net realized investment gains (losses)	(2)	(1)
Adjusted net income adjustment to the (provision) benefit for income tax	-	-
Adjusted net income (loss)	<u>\$ (96)</u>	<u>\$ (116)</u>
Adjusted net income (loss) per diluted common share	\$ (1.94)	\$ (2.36)

(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 statements of operations.

COMPONENTS OF BOOK VALUE PER SHARE

Reported Book Value per Share	As of	As of
	March 31, 2022	December 31, 2021
	\$ (10.29)	\$ (5.73)
Management's book value per share adjustments:		
Remove negative book value of MBIA Corp.	(36.16)	(35.94)
Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss)	(0.80)	2.02
Include net unearned premium revenue in excess of expected losses	3.39	3.58
Shares outstanding in millions	54.9	54.6

INSURANCE OPERATIONS

Selected Financial Data Computed on a Statutory Basis

(Dollars in millions)

National Public Finance Guarantee Corporation

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Policyholders' surplus	\$ 1,671	\$ 1,569
Contingency reserves	399	402
Statutory capital	2,070	1,971
Unearned premiums	294	311
Present value of installment premiums ⁽¹⁾	122	121
Premium resources ⁽²⁾	416	432
Net loss and loss adjustment expense reserves ⁽¹⁾	(201)	(386)
Salvage reserves on paid claims ⁽¹⁾	661	944
Gross loss and loss adjustment expense reserves	460	558
Total claims-paying resources	<u>\$ 2,946</u>	<u>\$ 2,961</u>
Net debt service outstanding	\$ 67,648	\$ 69,817
Gross par outstanding	\$ 35,178	\$ 36,451
Capital ratio ⁽³⁾	33:1	35:1
Claims-paying ratio ⁽⁴⁾	23:1	24:1
Leverage Ratio ⁽⁵⁾	17:1	18:1

MBIA Insurance Corporation

	<u>March 31, 2022</u>	<u>December 31, 2021</u>
Policyholders' surplus	\$ 94	\$ 97
Contingency reserves	37	37
Statutory capital	131	134
Unearned premiums	45	46
Present value of installment premiums ^{(6) (8)}	48	48
Premium resources ⁽²⁾	93	94
Net loss and loss adjustment expense reserves ⁽⁶⁾	203	266
Salvage reserves on paid claims ^{(6) (7)}	299	231
Gross loss and loss adjustment expense reserves	502	497
Total claims-paying resources	<u>\$ 726</u>	<u>\$ 725</u>
Net debt service outstanding	\$ 5,749	\$ 6,509
Capital ratio ⁽³⁾	44:1	49:1
Claims-paying ratio ⁽⁴⁾	8:1	9:1

(1) Calculated using discount rates of 3.65% as of March 31, 2022 and December 31, 2021.

(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 4.99% as of March 31, 2022 and December 31, 2021.

(7) This amount primarily consists of expected recoveries related to the Company's excess spread and CDOs.

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