



MBIA Inc. Third Quarter 2022 Financial Results

November 2, 2022

MBIA Inc. (NYSE:MBI) (the Company) today reported a consolidated GAAP net loss of \$34 million, or \$(0.67) per share, for the third quarter of 2022 compared to a consolidated GAAP net loss of \$123 million, or \$(2.49) per share, for the third quarter of 2021. The improved result versus last year's third quarter was primarily due to a favorable variances of losses and loss adjustment expenses (LAE) at MBIA Insurance Corporation (MBIA Corp.) and National Public Finance Guarantee Corporation (National). The favorable losses and LAE comparison for MBIA Corp. was primarily due to increases of risk-free interest rates used to discount expected claims payments, primarily related to RMBS exposure, which resulted in a net benefit this quarter. The favorable comparison of losses and LAE for National was primarily due to lower Puerto Rico related losses and LAE, with loss activity this quarter largely resulting from lower estimated values on National's anticipated Puerto Rico Highways and Transportation Authority recoveries.

Book value per share was negative \$15.70 as of September 30, 2022 compared with a negative \$5.73 as of December 31, 2021. The decrease in book value per share since year-end 2021 was primarily due to net unrealized losses on investments, which resulted primarily from higher interest rates and wider credit spreads in 2022, and the net loss for the first nine months of 2022.

The Company also reported an Adjusted Net Loss (a non-GAAP measure defined in the attached Explanation of Non-GAAP Financial Measures) of \$17 million or \$(0.34) per diluted share for the third quarter of 2022 compared with Adjusted Net Loss of \$76 million or \$(1.54) per diluted share for the third quarter of 2021. The favorable result was primarily due to reduced losses and LAE at National that primarily related to its insurance of Puerto Rico 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.

Statement from Company Representative

Bill Fallon, MBIA's Chief Executive Officer noted, "Given the substantial restructuring of our Puerto Rico credits, we have retained Barclays as an advisor and have been working with them to explore strategic alternatives, including a possible sale of the company."

Year-to-Date Results

The Company recorded a consolidated GAAP net loss of \$143 million, or \$(2.87) per diluted common share, for the nine months ended September 30, 2022 compared with a consolidated GAAP net loss of \$290 million, or \$(5.87) per diluted common share, for the first nine months of 2021. The lower net loss for 2022 was primarily due to a favorable variance of losses and LAE at MBIA Corp. primarily due to 2022 loss benefits related to Zohar CDOs and the greater losses and LAE benefits related to RMBS.

The Company's non-GAAP Adjusted Net Loss for the nine months ended September 30, 2022 was \$160 million or \$(3.21) per diluted share compared with an Adjusted Net Loss of \$155 million or \$(3.14) per diluted share for the first nine months of 2021. The greater adjusted net loss for the first nine months of 2022 was primarily due to higher losses and LAE at National that largely resulted from its insured Puerto Rico exposure, partially offset by higher net investment income.

MBIA Inc.

As of September 30, 2022, MBIA Inc.'s liquidity position totaled \$172 million, consisting primarily of cash and cash equivalents and liquid invested assets. As of October 26, 2022, there were 54.9 million of MBIA Inc. common shares outstanding.

National Public Finance Guarantee Corporation

National had statutory capital of \$1.9 billion and claims-paying resources totaling \$2.9 billion as of September 30, 2022. National's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$2.5 billion as of September 30, 2022. National's insured portfolio declined by \$1.6 billion during the quarter, ending the quarter with \$33.0 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 as of year-end 2021.

MBIA Insurance Corporation

The statutory capital of MBIA Insurance Corporation as of September 30, 2022 was \$162 million and claims-paying resources totaled \$764 million. MBIA Insurance Corporation's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value of \$243 million as of September 30, 2022.

Conference Call

The Company will host a webcast and conference call for investors tomorrow, Thursday, November 3, 2022 at 8:00 AM (ET) to discuss its third 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 (800) 420-1271 in the U.S. and (785) 424-1634 from

outside the U.S. The conference call code is 34702. 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) 757-4764 in the U.S. or (402) 220-7226 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)

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> |
|--|---------------------------|--------------------------|
| Assets | | |
| Investments: | | |
| Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$2,077 and \$2,016) | \$ 1,814 | \$ 2,157 |
| Investments carried at fair value | 507 | 258 |
| Investments pledged as collateral, at fair value (amortized cost \$- and \$4) | - | 4 |
| Short-term investments, at fair value (amortized cost \$751 and \$374) | 751 | 374 |
| Total investments | 3,072 | 2,793 |
| Cash and cash equivalents | 102 | 151 |
| Premiums receivable (net of allowance for credit losses \$5 and \$5) | 167 | 178 |
| Deferred acquisition costs | 38 | 42 |
| Insurance loss recoverable | 273 | 1,296 |
| Assets held for sale | 132 | - |
| Other assets | 78 | 67 |
| Assets of consolidated variable interest entities: | | |
| Cash | 9 | 9 |
| Investments carried at fair value | 49 | 60 |
| Loans receivable at fair value | 79 | 77 |
| Other assets | 16 | 23 |
| Total assets | \$ 4,015 | \$ 4,696 |
| Liabilities and Equity | | |
| Liabilities: | | |
| Unearned premium revenue | \$ 287 | \$ 322 |
| Loss and loss adjustment expense reserves | 1,047 | 894 |
| Long-term debt | 2,393 | 2,331 |
| Medium-term notes (includes financial instruments carried at fair value of \$38 and \$98) | 484 | 590 |
| Investment agreements | 273 | 274 |
| Derivative liabilities | 49 | 131 |
| Liabilities held for sale | 59 | - |
| Other liabilities | 92 | 163 |
| Liabilities of consolidated variable interest entities: | | |
| Variable interest entity notes and loans payable (includes financial instruments carried at fair value of \$173 and \$291) | 175 | 291 |
| Derivative liabilities | 5 | - |
| Total liabilities | 4,864 | 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 | 2,921 | 2,931 |
| Retained earnings (deficit) | (601) | (458) |
| Accumulated other comprehensive income (loss), net of tax of \$8 and \$8 | (314) | 100 |
| Treasury stock, at cost--228,285,906 and 228,630,003 shares | (3,152) | (3,169) |
| Total shareholders' equity of MBIA Inc. | (863) | (313) |
| Preferred stock of subsidiary and noncontrolling interest held for sale | 14 | 13 |
| Total equity | (849) | (300) |
| Total liabilities and equity | \$ 4,015 | \$ 4,696 |

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>2022</u> | <u>2021</u> | <u>2022</u> | <u>2021</u> |
| Revenues: | | | | |
| Premiums earned: | | | | |
| Scheduled premiums earned | \$ 10 | \$ 26 | \$ 31 | \$ 53 |
| Refunding premiums earned | 1 | 3 | 6 | 10 |
| Premiums earned (net of ceded premiums of \$0, \$14, \$1 and \$16) | 11 | 29 | 37 | 63 |
| Net investment income | 24 | 16 | 67 | 45 |
| Net realized investment gains (losses) | (13) | 2 | (37) | 1 |
| Net gains (losses) on financial instruments at fair value and foreign exchange | 25 | 9 | 51 | 41 |
| Net gains (losses) on extinguishment of debt | - | 16 | 4 | 30 |
| Fees and reimbursements | - | 5 | 4 | 6 |
| Other net realized gains (losses) | 1 | - | (18) | - |
| Revenues of consolidated variable interest entities: | | | | |
| Net gains (losses) on financial instruments at fair value and foreign exchange | (36) | 4 | (16) | (10) |
| Other net realized gains (losses) | 5 | (9) | 5 | (14) |
| Total revenues | <u>17</u> | <u>72</u> | <u>97</u> | <u>162</u> |
| Expenses: | | | | |
| Losses and loss adjustment | (12) | 125 | 57 | 232 |
| Amortization of deferred acquisition costs | 2 | - | 5 | 5 |
| Operating | 14 | 23 | 44 | 70 |
| Interest | 46 | 40 | 130 | 122 |
| Expenses of consolidated variable interest entities: | | | | |
| Operating | 2 | 2 | 5 | 5 |
| Interest | - | 5 | - | 18 |
| Total expenses | <u>52</u> | <u>195</u> | <u>241</u> | <u>452</u> |
| Income (loss) from continuing operations before income taxes | (35) | (123) | (144) | (290) |
| Provision (benefit) for income taxes | - | - | - | - |
| Income (loss) from continuing operations | (35) | (123) | (144) | (290) |
| Income (loss) from discontinued operations, net of income taxes | 1 | - | 1 | - |
| Net income (loss) | <u>\$ (34)</u> | <u>\$ (123)</u> | <u>\$ (143)</u> | <u>\$ (290)</u> |
| Net income (loss) per common share - basic and diluted: | | | | |
| Continuing operations | \$ (0.68) | \$ (2.49) | \$ (2.88) | \$ (5.87) |
| Discontinuing operations | 0.01 | - | 0.01 | - |
| Net income (loss) per common share - basic and diluted | <u>\$ (0.67)</u> | <u>\$ (2.49)</u> | <u>\$ (2.87)</u> | <u>\$ (5.87)</u> |
| Weighted average number of common shares outstanding: | | | | |
| Basic | 49,878,191 | 49,552,796 | 49,779,681 | 49,434,177 |
| Diluted | 49,878,191 | 49,552,796 | 49,779,681 | 49,434,177 |

ADJUSTED NET INCOME (LOSS) RECONCILIATION⁽¹⁾

(In millions except per share amounts)

| | Three Months Ended September 30, | | Nine Months Ended September 30, | |
|--|-------------------------------------|---------------|------------------------------------|---------------|
| | 2022 | 2021 | 2022 | 2021 |
| Net income (loss) | \$ (34) | \$ (123) | \$ (143) | \$ (290) |
| Less: adjusted net income (loss) adjustments: | | | | |
| Income (loss) from discontinued operations, net of income taxes | 1 | - | 1 | - |
| Income (loss) before income taxes of the international and structured finance insurance segment and eliminations | (39) | (80) | (21) | (223) |
| 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⁾ | 23 | 10 | 60 | 39 |
| Foreign exchange gains (losses) ⁽²⁾ | 10 | 5 | 29 | 18 |
| Net realized investment gains (losses) | (13) | 2 | (36) | 1 |
| Net gains (losses) on extinguishment of debt | - | 16 | 5 | 30 |
| Net investment losses related to impairments of securities ⁽³⁾ | 1 | - | (21) | - |
| Adjusted net income adjustment to the (provision) benefit for income tax | - | - | - | - |
| Adjusted net income (loss) | \$ (17) | \$ (76) | \$ (160) | \$ (155) |
| Adjusted net income (loss) per diluted common share | \$ (0.34) | \$ (1.54) | \$ (3.21) | \$ (3.14) |

(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.

(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, 2022 | As of December 31, 2021 |
|---|-----------------------------|----------------------------|
| Reported Book Value per Share | \$ (15.70) | \$ (5.73) |
| Management's book value per share adjustments: | | |
| Remove negative book value of MBIA Corp. | (37.03) | (35.94) |
| Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss) | (4.30) | 2.02 |
| Include net unearned premium revenue in excess of expected losses | 3.17 | 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>September 30, 2022</u> | <u>December 31, 2021</u> |
|--|---------------------------|--------------------------|
| Policyholders' surplus | \$ 1,559 | \$ 1,569 |
| Contingency reserves | 389 | 402 |
| Statutory capital | <u>1,948</u> | <u>1,971</u> |
| Unearned premiums | 276 | 311 |
| Present value of installment premiums ⁽¹⁾ | 118 | 121 |
| Premium resources ⁽²⁾ | <u>394</u> | <u>432</u> |
| Net loss and loss adjustment expense reserves ⁽¹⁾ | 269 | (386) |
| Salvage reserves on paid claims ⁽¹⁾ | 285 | 944 |
| Gross loss and loss adjustment expense reserves | <u>554</u> | <u>558</u> |
| Total claims-paying resources | <u>\$ 2,896</u> | <u>\$ 2,961</u> |
| Net debt service outstanding | \$ 63,902 | \$ 69,817 |
| Gross par outstanding | \$ 33,032 | \$ 36,451 |
| Capital ratio ⁽³⁾ | 33:1 | 35:1 |
| Claims-paying ratio ⁽⁴⁾ | 22:1 | 24:1 |
| Leverage Ratio ⁽⁵⁾ | 17:1 | 18:1 |

MBIA Insurance Corporation

| | <u>September 30, 2022</u> | <u>December 31, 2021</u> |
|--|---------------------------|--------------------------|
| Policyholders' surplus | \$ 157 | \$ 97 |
| Contingency reserves | 5 | 37 |
| Statutory capital | <u>162</u> | <u>134</u> |
| Unearned premiums | 38 | 46 |
| Present value of installment premiums ^{(6) (8)} | 43 | 48 |
| Premium resources ⁽²⁾ | <u>81</u> | <u>94</u> |
| Net loss and loss adjustment expense reserves ⁽⁶⁾ | 60 | 266 |
| Salvage reserves on paid claims ^{(6) (7)} | 461 | 231 |
| Gross loss and loss adjustment expense reserves | <u>521</u> | <u>497</u> |
| Total claims-paying resources | <u>\$ 764</u> | <u>\$ 725</u> |
| Net debt service outstanding | \$ 5,185 | \$ 6,509 |
| Capital ratio ⁽³⁾ | 32:1 | 49:1 |
| Claims-paying ratio ⁽⁴⁾ | 7:1 | 9:1 |

(1) Calculated using discount rates of 3.65% as of September 30, 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 September 30, 2022 and December 31, 2021.

(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.