

Rating Action: Moody's places MBIA Insurance Corporation's B3 IFS rating on review for upgrade

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New York, February 14, 2014 -- Moody's Investors Service has placed the B3 insurance financial strength (IFS) rating of MBIA Insurance Corporation (MBIA Corp.) on review for upgrade following MBIA's announcement of its commutation of \$3 billion of commercial mortgage backed securities pools. As part of the same rating action, Moody's placed the ratings of MBIA Mexico S.A de C.V. (MBIA Mexico -- B3 IFS), MBIA UK Insurance Limited (MBIA UK -- B1 IFS), and MBIA Inc. (Ba3, senior debt) on review for upgrade. The Baa1 IFS rating of National Public Finance Guarantee Corporation (National) was affirmed with a positive outlook. The rating action also has implications for the various transactions wrapped by the MBIA group as discussed later in this press release.

A full list of rating actions on MBIA Inc. and its subsidiaries is provided below.

SUMMARY RATIONALE

Moody's stated that today's rating actions reflect the positive effect that MBIA's recent settlement of CMBS exposures has had on the credit profile of MBIA Insurance Corporation (MBIA Corp.) and its linked affiliates. Specifically, the settlement, while in excess of third quarter 2013 loss reserves, has substantially reduced MBIA Corp.'s exposure to impaired CMBS and to the associated potential losses in adverse scenarios. The effect of the settlement will be reflected in YE 2013 statutory financials. Following the settlement of approximately \$3 billion of CMBS exposures, MBIA Corp. retains only \$760 million of exposure to CMBS with reference obligations originally rated Baa, of which, according to the insurer, approximately \$391 million has some associated statutory loss reserves. This settlement follows a number of material settlements in 2013 that substantially reduced the volatility of insured losses and improved the liquidity of MBIA Corp. and terminated the main litigations challenging the group's 2009 restructuring.

RATINGS RATIONALE -- MBIA INSURANCE CORPORATION

The B3 IFS rating, review for possible upgrade, of MBIA Corp. reflects the firm's improved capital adequacy profile following the settlement of CMBS exposures. As part of its review Moody's will assess the insurer's post settlement capital adequacy and liquidity profile. MBIA Corp.'s preferred stock (C rated) and surplus notes (Ca rated) are not reviewed for upgrade, but have a positive outlook, reflecting Moody's view of the meaningful expected losses for these securities despite improvements at MBIA Corp.

The B3 IFS rating, review for possible upgrade, of MBIA Mexico, S.A. de C.V. (MBIA Mexico) reflects the formal and informal support from MBIA Corp., in the context of the insurer's limited size and standalone financial profile. Its rating is expected to remain closely linked to that of its parent.

RATINGS RATIONALE -- MBIA UK

The B1 IFS rating, review for possible upgrade, of MBIA UK reflects its meaningful stand-alone financial resources relative to its insured risks, as well as its limited standalone business profile and lower pressures stemming from its weaker parent, MBIA Corp. following the recent CMBS settlement. MBIA Corp.'s support of MBIA UK, in the form of excess of loss reinsurance and net worth maintenance agreements, is subordinated to insured claims and thus of limited value, in Moody's opinion, due to MBIA Corp.'s weaker credit profile.

RATINGS RATIONALE -- MBIA INC.

The Ba3 senior unsecured debt rating, review for possible upgrade, of MBIA Inc. reflects the improving credit profile of its subsidiaries and the resumption of dividend payments from National. The firm's high debt burden and meaningful asset risks, reflecting the deterioration of its wind-down operations, remain a distinct weakness, however. MBIA Inc.'s senior debt rating is currently five rating notches below the IFS rating of its lead insurance subsidiary, National, rather than the more typical three notches, reflecting weakness in its other subsidiaries.

RATINGS RATIONALE -- NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION

According to Moody's, the Baa1 IFS rating of National, positive outlook, reflects the insurer's strong overall capital profile and ongoing de-risking through insured portfolio amortization. These strengths are tempered by the fact that National is currently not writing any material new business, operates in an industry that has not recovered from the financial crisis and, like its peers, the company faces significant headwinds from declining fundamentals in the sector, including a dramatic reduction in insurance usage, moderate prospective profitability and still-meaningful legacy risk.

The positive outlook of National also reflects the improving capital and liquidity trends at MBIA Corp., which reduce the need and likelihood of support by National of its weaker affiliate. While the credit quality of National's insured portfolio is generally good and is supported by substantial claims paying resources, its business position is characterized by a lack of participation in the market. We are also cautious about some of National's large single risks and the linkages between these obligations.

WHAT COULD CHANGE THE RATINGS UP OR DOWN

The ratings of MBIA Corp., MBIA UK, MBIA Mexico and MBIA Inc. could be raised if MBIA Corp's financial profile, both capital adequacy and liquidity, proved substantially stronger following recent settlements, with low risk of insolvency or of lack of liquidity over the coming years. According to Moody's, a rating confirmation would reflect substantial remaining risks relative to capital at MBIA Corp., lower than anticipated putback and other mortgage-related recoveries, or weak liquidity relative to claims and other obligations.

National's rating could be raised if the insurer were able to establish a more solid market position, marked by underwriting of high quality risks at attractive prices. Meaningful improvements at MBIA Corp., would also be a positive rating driver for National, as well as for MBIA Corp., as those improvements would reduce the contingent risk of a call on National's resources. In addition, reduced single risk concentration, as well as improved capital and financial flexibility could also improve National's credit profile. National's rating could be lowered if the quality of its large insured exposures meaningfully decreased or if capital was withdrawn without an associated reduction of risk, or if profitability reduced materially.

RATING LIST

The following ratings have placed on review for upgrade:

..Issuer: MBIA Inc.

....Senior Unsecured Regular Bond, at Ba3

..Issuer: MBIA Insurance Corp.

....Insurance Financial Strength, at B3

..Issuer: MBIA UK Insurance Limited

....Insurance Financial Strength, at B1

..Issuer: MBIA Mexico S.A de C.V.

....Insurance Financial Strength, at B3 and B1.mx

The following ratings have been affirmed, with a positive outlook:

..Issuer: National Public Finance Guarantee Corp.

....Insurance Financial Strength, Affirmed Baa1

..Issuer: MBIA Insurance Corp.

....Subordinate Surplus Notes, at Ca (hyb)

....Pref. Stock Preferred Stock, at C (hyb)

....Non-cumulative Preferred Stock, at C (hyb)

TREATMENT OF WRAPPED TRANSACTIONS

Moody's ratings on securities that are guaranteed or "wrapped" by a financial guarantor are generally maintained at a level equal to the higher of the following: a) the rating of the guarantor (if rated at the investment grade level); or b) the published underlying rating (and for structured securities, the published or unpublished underlying rating). Moody's approach to rating wrapped transactions is outlined in Moody's methodology "Rating Transactions Based on the Credit Substitution Approach: Letter of Credit-backed, Insured and Guaranteed Debts" (March 2013).

As a result of today's rating action, the Moody's-rated securities that are guaranteed or "wrapped" by MBIA Corp., MBIA Mexico, and MBIA UK are placed on review for upgrade, except those with higher published underlying ratings (and for structured finance securities, except those with higher published or unpublished underlying ratings).

National Public Finance Guarantee Corp. and MBIA Insurance Corp. are financial guaranty insurance companies based in New York State. MBIA UK Insurance Limited and MBIA Mexico S.A de C.V. are financial guaranty reinsurance companies based in UK and Mexico respectively. They are wholly owned by MBIA Inc. [NYSE: MBI], the ultimate holding company. As of September 30, 2013, MBIA Inc. had consolidated gross par outstanding of approximately \$375.3 billion, qualified statutory capital of \$4.4 billion, and total claims paying resources of \$9.0 billion.

The principal methodology used in this rating was Moody's Rating Methodology for the Financial Guaranty Insurance Industry published in September 2006. Please see the Credit Policy page on www.moodys.com for a copy of this methodology.

Moody's National Scale Credit Ratings (NSRs) are intended as relative measures of creditworthiness among debt issues and issuers within a country, enabling market participants to better differentiate relative risks. NSRs differ from Moody's global scale credit ratings in that they are not globally comparable with the full universe of Moody's rated entities, but only with NSRs for other rated debt issues and issuers within the same country. NSRs are designated by a ".nn" country modifier signifying the relevant country, as in ".mx" for Mexico. For further information on Moody's approach to national scale credit ratings, please refer to Moody's Credit rating Methodology published in October 2012 entitled "Mapping Moody's National Scale Credit Ratings to Global Scale Credit Ratings."

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