MOODY'S
INVESTORS SERVICE

Rating Action: Moody's upgrades the ratings of MBIA group: National Public Finance Guarantee to A3

Global Credit Research - 21 May 2014

New York, May 21, 2014 -- Moody's Investors Service upgraded the insurance financial strength (IFS) rating of National Public Finance Guarantee Corporation (National) to A3, from Baa1, and the senior debt rating of MBIA Inc., the group's holding company, to Ba1, from Ba3. As part of the same rating action, Moody's upgraded the IFS ratings of MBIA Insurance Corporation (MBIA Corp.) and MBIA Mexico S.A de C.V. (MBIA Mexico) to B2, from B3, and the IFS rating of MBIA UK Insurance Limited (MBIA UK) to Ba2, from B1. The outlook for all the ratings is stable. 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 recent settlements of significant commercial real estate (CRE) exposures and ongoing portfolio runoff has had on the group's capital adequacy and liquidity profile. National's improving prospects for generating new insurance within the municipal market was also a positive consideration in the rating actions for National and for MBIA Inc. The rating actions on MBIA Inc., MBIA Corp., MBIA Mexico and MBIA UK concluded reviews for upgrade initiated in February 2014.

RATINGS RATIONALE -- NATIONAL PUBLIC FINANCE GUARANTEE CORPORATION

According to Moody's, the A3 IFS rating of National, stable outlook, reflects the insurer's strong stand-alone capital profile, the meaningful delinking from, and improving conditions of, its weaker affiliates, and its ongoing efforts to re-start insuring US municipal debt in the primary and secondary markets. The rating agency noted that National is currently not writing any material new business and operates in an industry that has not recovered from the financial crisis. National, like its peers, faces significant headwinds from declining fundamentals in the sector, including a dramatic reduction in insurance usage, moderate prospective profitability and still-meaningful legacy risk. Moody's added that National has substantial exposure to below investment grade credits, representing 2.7% of its insured book and 220% of qualified statutory capital, including about $4.1 billion exposure to Puerto Rico credits. Nevertheless, it benefits from the improving financial position of the group which provides greater stability to its credit profile.

RATINGS RATIONALE -- MBIA INSURANCE CORPORATION

The B2 IFS rating, stable outlook, of MBIA Corp. reflects the firm's improved capital adequacy and liquidity profile as a result of recent transactions, including the commutation of approximately $3 billion of CRE exposures, and the settlement of putback claims. MBIA Corp. had only $626 million of remaining exposure to CRE left with reference obligations originally rated Baa, of which, approximately $378 million has some associated statutory loss reserves as of the first quarter 2014. In addition, Moody's expects the company's structured finance book to run off fairly quickly, further reducing potential losses.

MBIA Corp. had $226 million of cash and cash equivalents at March 31 2014 excluding subsidiaries. Moody's expects the company's liquidity to improve as claims decline and premiums are earned over time. In addition, RMBS excess spread recoveries, putback settlements proceeds and likely dividends from MBIA UK in the future would also help enhance the company's liquidity. However, there is still substantial volatility around excess spread collections as a result of uncertainty about residential mortgage prepayments, servicing and rates reset experiences. The company attributed about $826 million salvage value to RMBS excess spread as of 31 March 2014.

Moody's added that the rating of MBIA Corp.'s preferred stock (C hyb) and surplus notes (Ca hyb), stable outlook, reflects their high expected loss content given the company's still weak capital profile and the subordinated nature of these securities.

The B2 IFS rating, stable outlook, of MBIA Mexico, S.A. de C.V. (MBIA Mexico) reflects 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 Ba2 IFS rating, stable outlook, of MBIA UK reflects the improving insured portfolio, and meaningful stand-alone financial resources relative to its insured risks, moderated by a lack of new business production, and Moody's expectation of pressures from its weaker parent, MBIA Corp., to return capital. 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 Ba1 senior unsecured debt rating, stable outlook, of MBIA Inc. reflects the improving credit profile of its subsidiaries and its strengthening liquidity profile following the resumption of dividend payments from National and release of funds from tax escrow. However, the firm's high debt burden and meaningful asset risks, a large share of which linger at its wind-down operations, remain a distinct weakness. Moody's narrowed the notching between MBIA Inc.'s senior debt rating and the IFS rating of its lead insurance subsidiary, National, to four from five notches, reflecting the improving financial conditions in the group. However, the notching remains wider than the more typical three notches, reflecting the significantly weaker credit profile of MBIA Corp., its other substantial subsidiary.

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 including capital adequacy and liquidity improved materially. The ratings could be lowered if insured risks perform worse than expected and/or if MBIA Corp. were to experience material liquidity stress.

National's rating could be raised if the insurer were able to establish a solid market position, marked by underwriting of high quality risks at attractive prices. In addition, reduced single risk concentrations, as well as substantially lower holding company debt could also improve National's credit profile. National's rating could be lowered if the credit profile of some of its large insured exposures were to weaken, if capital were to be up-streamed to its parent without an associated reduction of risk, or if profitability came down materially. Credit deterioration at MBIA Corp. would also be negative for National, as it could increase the contingent risk of a call on National's resources.

RATING LIST

The following ratings have been upgraded with a stable outlook:

..Issuer: MBIA Inc.

....Senior Unsecured Regular Bond, to Ba1

..Issuer: MBIA Insurance Corp.

....Insurance Financial Strength, to B2

..Issuer: MBIA UK Insurance Limited

....Insurance Financial Strength, to Ba2

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

....Insurance Financial Strength, to B2 and Ba1.mx

..Issuer: National Public Finance Guarantee Corp.

....Insurance Financial Strength, to A3

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

..Issuer: MBIA Insurance Corp.

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

....Pref. Stock 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 National, MBIA Corp., MBIA Mexico, and MBIA UK are upgraded, 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 insurance companies based in UK and Mexico respectively. They are wholly owned by MBIA Inc. [NYSE: MBI], the ultimate holding company. As of 31 March 2014, MBIA Inc. had consolidated gross par outstanding of approximately $337.8 billion, and qualified statutory capital of $4.1 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".

REGULATORY DISCLOSURES

For ratings issued on a program, series or category/class of debt, this announcement provides certain regulatory disclosures in relation to each rating of a subsequently issued bond or note of the same series or category/class of debt or pursuant to a program for which the ratings are derived exclusively from existing ratings in accordance with Moody's rating practices. For ratings issued on a support provider, this announcement provides certain regulatory disclosures in relation to the rating action on the support provider and in relation to each particular rating action for securities that derive their credit ratings from the support provider's credit rating. For provisional ratings, this announcement provides certain regulatory disclosures in relation to the provisional rating assigned, and in relation to a definitive rating that may be assigned subsequent to the final issuance of the debt, in each case where the transaction structure and terms have not changed prior to the assignment of the definitive rating in a manner that would have affected the rating. For further information please see the ratings tab on the issuer/entity page for the respective issuer on www.moodys.com.

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Regulatory disclosures contained in this press release apply to the credit rating and, if applicable, the related rating outlook or rating review.

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