



MBIA Inc. and Subsidiaries
Quarterly Operating Supplement
March 31, 2021



First Quarter 2021

MBIA Inc. and Subsidiaries
Quarterly Operating Supplement ⁽¹⁾

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(1) This report is unaudited.

Safe Harbor Disclosure

This Operating Supplement of MBIA Inc., together with its consolidated subsidiaries, (collectively, “MBIA”, the “Company”, “we”, “us” or “our”) 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 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. MBIA cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. We undertake no obligation to publicly correct or update any forward-looking statement if the Company later becomes aware that such result is not likely to be achieved.

The following are some of the general factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company’s forward-looking statements:

- increased credit losses or impairments on public finance obligations that National Public Finance Guarantee Corporation (“National”) insures issued by state, local and territorial governments and finance authorities and other providers of public services, located in the U.S. or abroad, that are experiencing fiscal stress;
- the possibility that loss reserve estimates are not adequate to cover potential claims;
- a disruption in the cash flow from National or an inability to access the capital markets and our exposure to significant fluctuations in liquidity and asset values in the global credit markets as a result of collateral posting requirements;
- our ability to fully implement our strategic plan;
- the possibility that MBIA Insurance Corporation will have inadequate liquidity or resources to timely pay claims as a result of higher than expected losses on certain insured transactions or as a result of a delay or failure in collecting expected recoveries, which could lead the New York State Department of Financial Services (“NYDFS”) to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the New York Insurance Law and/or take such other actions as the NYDFS may deem necessary to protect the interests of MBIA Insurance Corporation’s policyholders;
- the impact on our insured portfolios or business operations caused by the global spread of the novel coronavirus COVID-19;
- deterioration in the economic environment and financial markets in the United States or abroad, real estate market performance, credit spreads, interest rates and foreign currency levels; and
- the effects of changes to governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules.

The above factors provide a summary of and are qualified in their entirety by the risk factors discussed under “Risk Factors” in Part II, Other Information, Item 1A included in the Quarterly Report on Form 10-Q. The Company encourages readers to review these risk factors in their entirety.

MBIA Inc. (Consolidated)

MBIA Inc. and Subsidiaries
Consolidated Balance Sheets
(in millions except share and per share amounts)

	March 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$2,135 and \$2,078)	\$ 2,222	\$ 2,257
Investments carried at fair value	207	196
Investments pledged as collateral, at fair value (amortized cost \$- and \$6)	-	1
Short-term investments, at fair value (amortized cost \$623 and \$281)	623	282
Total investments	3,052	2,736
Cash and cash equivalents	116	158
Premiums receivable (net of allowance for credit losses \$5 and \$5)	215	216
Deferred acquisition costs	48	50
Insurance loss recoverable	1,622	1,677
Other assets	94	84
Assets of consolidated variable interest entities:		
Cash	5	9
Investments carried at fair value	76	77
Loans receivable at fair value	124	120
Loan repurchase commitments	-	604
Other assets	23	20
Total assets	\$ 5,375	\$ 5,751
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 386	\$ 405
Loss and loss adjustment expense reserves	990	990
Long-term debt	2,258	2,229
Medium-term notes (includes financial instruments carried at fair value of \$105 and \$110)	698	710
Investment agreements	268	269
Derivative liabilities	126	215
Other liabilities	203	161
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of \$325 and \$350)	451	623
Other liabilities	23	-
Total liabilities	5,403	5,602
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	2,934	2,962
Retained earnings (deficit)	(119)	(13)
Accumulated other comprehensive income (loss), net of tax of \$8 and \$8	39	115
Treasury stock, at cost--228,837,465 and 229,508,967 shares	(3,178)	(3,211)
Total shareholders' equity of MBIA Inc.	(41)	136
Preferred stock of subsidiary	13	13
Total equity	(28)	149
Total liabilities and equity	\$ 5,375	\$ 5,751

MBIA Inc. and Subsidiaries
Consolidated Statements of Operations
(in millions except share and per share amounts)

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Premiums earned:		
Scheduled premiums earned	\$ 15	\$ 16
Refunding premiums earned	5	4
Premiums earned (net of ceded premiums of \$1 and \$1)	20	20
Net investment income	15	23
Net gains (losses) on financial instruments at fair value and foreign exchange	51	(63)
Revenues of consolidated variable interest entities:		
Net investment income	-	8
Net gains (losses) on financial instruments at fair value and foreign exchange	(14)	15
Other net realized gains (losses)	-	(9)
Total revenues	72	(6)
Expenses:		
Losses and loss adjustment	98	243
Amortization of deferred acquisition costs	2	2
Operating	26	18
Interest	41	47
Expenses of consolidated variable interest entities:		
Operating	2	2
Interest	9	15
Total expenses	178	327
Income (loss) before income taxes	(106)	(333)
Provision (benefit) for income taxes	-	-
Net income (loss)	\$ (106)	\$ (333)
Net income (loss) per common share:		
Basic	\$ (2.16)	\$ (4.62)
Diluted	\$ (2.16)	\$ (4.62)
Weighted average number of common shares outstanding:		
Basic	49,258,110	72,089,016
Diluted	49,258,110	72,089,016

MBIA Inc. and Subsidiaries
Adjusted Net Income (Loss) Reconciliation (Non-GAAP Basis) ^{(1) (2)}
(in millions except per share amounts)

	Three Months Ended March 31,	
	2021	2020
Net income (loss)	\$ (106)	\$ (333)
Less: Adjusted Net Income (Loss) Adjustments		
Income (loss) before income taxes of our international and structured finance insurance segment and eliminations	(44)	(220)
Adjustments before income taxes ⁽³⁾ :		
Mark-to-market gains (losses) on financial instruments ⁽⁴⁾	38	(77)
Foreign exchange gains (losses) ⁽⁴⁾	17	8
Net gains (losses) on sales of investments ⁽⁴⁾	(1)	3
Adjusted net income adjustment for income taxes	-	-
Adjusted Net Income (loss)	\$ (116)	\$ (47)
Adjusted Net Income (loss) per diluted common share	\$ (2.36)	\$ (0.65)
Diluted Weighted Average Shares Outstanding	49.3	72.1

Adjusted Net Income (Loss) Trend ^{(1) (2)}

	2021				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-Date
Adjusted Net Income (loss)	\$ (116)				\$ (116)
	2020				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Adjusted Net Income (loss)	\$ (47)	\$ (72)	\$ (18)	\$ (36)	\$ (173)

(1) A non-GAAP measure. Please see glossary for an explanation of Adjusted Net Income (Loss).

(2) Totals may not add due to rounding.

(3) Adjustments exclude the International and Structured Finance Insurance segment and eliminations and include certain mark-to-market gains/losses on financial instruments in the U.S. Public Finance Insurance and Corporate segments.

(4) Gross amounts are reported within "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statements of operations.

MBIA Inc.

Book Value Adjustments Per Share ⁽¹⁾

	<u>3/31/2021</u>	<u>12/31/2020</u>
Book Value Per Share	\$ (0.76)	\$ 2.55
Management's book value per share adjustments:		
Remove negative book value of MBIA Corp. ⁽²⁾	(32.19)	(31.97)
Remove net unrealized gains (losses) on available-for-sale securities included in other comprehensive income (loss)	1.26	2.86
Include net unearned premium revenue in excess of expected losses ^{(3) (4)}	4.02	4.29
Shares outstanding in millions	54.3	53.7

(1) Please see glossary for an explanation of book value adjustments.

(2) The book value of MBIA Corp. does not provide significant economic or shareholder value to MBIA Inc.

(3) The discount rate on financial guarantee installment premiums was the risk-free rate as defined by GAAP for financial guarantee insurance contracts.

(4) The amounts consist of financial guarantee premiums in excess of expected losses, net of the related deferred acquisition costs.

Securities Buyback Activity

(in millions)

	<u>1st Qtr.</u>		<u>2nd Qtr.</u>		<u>3rd Qtr.</u>		<u>4th Qtr.</u>		<u>Year-to-Date</u>	
2021	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added
Common Stock Repurchases ^{(1) (2)}	\$ -	\$ N/A							\$ -	\$ N/A
Debt ⁽³⁾										
MBIA Inc. Senior Unsecured	-	-							-	-
MBIA Inc. (Consolidated)	\$ -	\$ -							\$ -	\$ -

	<u>1st Qtr.</u>		<u>2nd Qtr.</u>		<u>3rd Qtr.</u>		<u>4th Qtr.</u>		<u>Full Year</u>	
2020	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added	Cost	Gain/ Value Added
Common Stock Repurchases ^{(1) (2)}	\$ 64.6	\$ N/A	\$ 71.5	\$ N/A	\$ 62.0	\$ N/A	\$ -	\$ N/A	\$ 198.1	\$ N/A
Debt ⁽³⁾										
MBIA Inc. Senior Unsecured	-	-	-	-	-	-	114.7	-	114.7	-
MBIA Inc. (Consolidated)	\$ 64.6	\$ -	\$ 71.5	\$ -	\$ 62.0	\$ -	\$ 114.7	\$ -	\$ 312.8	\$ -

(1) Presented on a trade date basis.

(2) Purchased by National.

(3) Presented on a cash settlement basis.

National Public Finance Guarantee Corporation

National Public Finance Guarantee Corporation
GAAP Balance Sheets
(in millions except share and per share amounts)

	March 31, 2021	December 31, 2020
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$1,573 and \$1,574)	\$ 1,593	\$ 1,623
Investments carried at fair value	166	158
Investments pledged as collateral, at fair value (amortized cost \$102 and \$101)	103	103
Short-term investments at fair value (amortized cost \$122 and \$103)	122	103
Total investments	1,984	1,987
Cash and cash equivalents	32	106
Securities purchased under agreements to resell	101	101
Premiums receivable	136	136
Current income taxes	-	10
Deferred acquisition costs	78	81
Insurance loss recoverable	1,170	1,176
Other assets	61	48
Total assets	\$ 3,562	\$ 3,645
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 312	\$ 328
Loss and loss adjustment expense reserves	523	468
Securities sold under agreements to repurchase	101	101
Payable for investments purchased	26	7
Other liabilities	36	37
Total liabilities	998	941
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	1,665	1,675
Retained earnings	852	952
Accumulated other comprehensive income (loss), net of tax of \$12 and \$12	32	62
Total equity	2,564	2,704
Total liabilities and equity	\$ 3,562	\$ 3,645

National Public Finance Guarantee Corporation
GAAP Statements of Operations
(in millions)

	Three Months Ended March 31,	
	2021	2020
Revenues:		
Premiums earned:		
Scheduled premiums earned	\$ 10	\$ 11
Refunding premiums earned	7	4
Premiums earned	<u>17</u>	<u>15</u>
Net investment income	15	21
Fees and reimbursements	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	<u>(3)</u>	<u>(18)</u>
Total revenues	<u>29</u>	<u>19</u>
Expenses:		
Losses and loss adjustment	109	48
Amortization of deferred acquisition costs	4	3
Operating	<u>15</u>	<u>13</u>
Total expenses	<u>128</u>	<u>64</u>
Income (loss) before income taxes	<u>(99)</u>	<u>(45)</u>
Provision (benefit) for income taxes	1	(56)
Net income (loss)	<u>\$ (100)</u>	<u>\$ 11</u>

National Public Finance Guarantee Corporation
(in millions)

GAAP Amortization of Gross Par, Gross Debt Service, Gross Unearned Premium and Net Cash Premiums Collected and Expected

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Gross Unearned Premiums ⁽¹⁾	Expected Future Premiums Earnings ⁽¹⁾⁽²⁾				Total	Net Cash Premiums Collected and Expected ⁽³⁾
				Upfronts	Installments	Accretion			
1st Qtr. 2021	40,478	78,999	312						1
2nd Qtr. 2021	39,821	77,771	304	6	2	1	9		2
3rd Qtr. 2021	38,327	75,228	296	6	2	1	9		3
4th Qtr. 2021	37,175	73,397	288	6	2	1	9		4
2022	34,009	67,439	258	22	8	4	34		10
2023	31,169	61,831	230	21	7	4	32		10
2024	28,500	56,533	205	18	7	3	28		10
2025	25,870	51,338	181	17	7	3	27		10
2026-2030	13,469	28,228	97	53	31	13	97		43
2031-2035	7,125	14,784	49	23	25	9	57		36
2036-2040	4,071	7,163	22	8	19	5	32		28
2041-2045	2,016	3,506	7	4	11	2	17		18
2046-2050	246	786	1	2	4	-	6		7
2051 and thereafter	-	-	-	1	-	-	1		-
Total				\$187	\$125	\$46	\$358		\$181

(1) Excludes insured derivative premiums of \$2 million.

(2) Actual future premium earnings will differ from the current projection due to refundings.

(3) Represents installment-based future net undiscounted collections.

Statutory Balance Sheets Summary

	3/31/2021	12/31/2020
Assets:		
Cash and Investments	\$ 1,981	\$ 2,021
Asset Swap Facility with MBIA Inc.	101	101
Other Assets	19	23
Total Assets	\$ 2,101	\$ 2,145
Liabilities:		
Unearned Premiums	\$ 344	\$ 355
Loss and LAE Reserves ⁽¹⁾	(303)	(301)
Contingency Reserve	433	445
Asset Swap Facility with MBIA Inc.	101	101
Other Liabilities	36	19
Total Liabilities	611	619
Total Policyholders' Surplus	1,490	1,526
Total Liabilities and Policyholders' Surplus	\$ 2,101	\$ 2,145

Claims-Paying Resources

	3/31/2021	12/31/2020
Policyholders' Surplus	\$ 1,490	\$ 1,526
Contingency Reserve	433	445
Statutory Capital	1,923	1,971
Unearned Premiums	344	355
Present Value of Installment Premiums ⁽¹⁾	129	129
Premium Resources ⁽²⁾	473	484
Net Loss and LAE Reserves ⁽¹⁾	(303)	(301)
Salvage Reserves on Paid Claims ⁽¹⁾	996	961
Gross Loss and LAE Reserves	693	660
Total Claims-Paying Resources	\$ 3,089	\$ 3,115
Net Debt Service Outstanding	\$ 76,619	\$ 79,074
Capital Ratio	40:1	40:1
Claims-Paying Resources Ratio	25:1	25:1

(1) Calculated using a discount rate of 3.49% as of March 31, 2021 and December 31, 2020.

(2) The amounts consist of financial guarantee insurance premiums and insured credit derivative revenue.

National Public Finance Guarantee Corporation
Investment Portfolio Including Cash and Cash Equivalents
as of March 31, 2021
(in millions)

GAAP Accounting Basis

Investments⁽¹⁾	Market Value	% of Market Value	Amortized Cost	% Book Yield
Fixed-Maturity Securities:				
Long-Term Tax-Exempt	\$ 2	-	\$ 2	6.23
Long-Term Taxable	1,668	93	1,647	3.36
Short-Term	125	7	125	0.15
Total Fixed Maturity	1,795	100	\$ 1,774	3.14
Cash and Cash Equivalents	32			
Total Fixed Income Including Cash and Cash Equivalents	1,827			
Investments Carried at Fair Value	189			
Total	\$ 2,016			

Fixed Income Portfolio Including Cash and Cash Equivalents

Corporate Obligations	\$ 968	53
MBS	312	17
ABS	279	15
US Treasury	170	9
State and Municipal Bonds	63	4
Cash and Cash Equivalents	32	2
Foreign Governments	3	-
Total	\$ 1,827	100

Effective Maturity Profile

Cash and Cash Equivalents	\$ 32	2
≤ 1 yr	399	22
> 1 to 5 yrs	454	25
> 5 to 10 yrs	203	11
> 10 to 15 yrs	355	19
> 15 to 20 yrs	76	4
> 20 yrs	308	17
Total	\$ 1,827	100

Credit Quality Distribution of Long-Term Bonds Rating ⁽²⁾

Aaa	\$ 663	40
Aa	147	9
A	237	14
Baa	264	16
BIG	355	21
NR	4	-
	\$ 1,670	100

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 12.86 years
Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 5.69 years

(1) Includes Asset Swap between National and MBIA Inc. with a notional amount of \$101 million and a market value of \$103 million of encumbered assets.

(2) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.

National Public Finance Guarantee Corporation
Liquidity Position ⁽¹⁾
(in millions)

2021	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-Date
Beginning Cash ⁽²⁾	\$ 82				\$ 82
Total Inflows ⁽³⁾	12				12
Gross Loss & LAE Payments	53				53
Other Payments	17				17
Total Outflows	70				70
Operating Cash Flow	(58)				(58)
Investing Activities	(14)				(14)
Net Cash Flow	(72)				(72)
Ending Cash ⁽²⁾	\$ 10				\$ 10
Other Liquid Assets ⁽⁴⁾	288				288
Ending Liquidity Position	\$ 298				\$ 298

2020	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash ⁽²⁾	\$ 30	\$ 71	\$ 372	\$ 30	\$ 30
Total Inflows ⁽³⁾	20	31	40	18	109
Gross Loss & LAE Payments	68	33	338	4	443
Other Payments	15	8	10	9	42
Total Outflows	83	41	348	13	485
Operating Cash Flow	(63)	(10)	(308)	5	(376)
Financing Activities	-	-	-	(81)	(81)
Investing Activities	104	311	(34)	128	509
Net Cash Flow	41	301	(342)	52	52
Ending Cash ⁽²⁾	\$ 71	\$ 372	\$ 30	\$ 82	\$ 82
Other Liquid Assets ⁽⁴⁾	328	186	317	277	277
Ending Liquidity Position	\$ 399	\$ 558	\$ 347	\$ 359	\$ 359

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Liquidity Position excludes assets designated to alternative investment strategy portfolios.

(2) Represents management's view of cash; will not agree with National's Consolidated GAAP financial results which includes cash of alternative investment strategies.

(3) Includes investment income, salvage, premium receipts and other.

(4) Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

National Public Finance Guarantee Corporation
Insured Portfolio Profile
(in millions)

By Geography

Outstanding as of March 31, 2021

	Par Outstanding ⁽¹⁾		Debt Service Outstanding ⁽¹⁾	
	Gross Amount	%	Gross Amount	%
United States				
California	\$ 8,493	21.0	\$ 19,228	24.3
New Jersey	3,514	8.7	5,183	6.6
Illinois	2,476	6.1	8,746	11.1
Puerto Rico	2,044	5.0	2,872	3.6
New York	2,014	5.0	2,885	3.7
Texas	1,881	4.6	3,309	4.2
Hawaii	1,864	4.6	4,051	5.1
Georgia	1,577	3.9	2,017	2.6
Oregon	1,479	3.7	2,633	3.3
Florida	1,399	3.5	1,674	2.1
Subtotal	26,741	66.1	52,598	66.6
Other States & Territories	10,889	26.9	20,568	26.0
Nationally Diversified	2,848	7.0	5,833	7.4
Total	\$ 40,478	100.0	\$ 78,999	100.0

By Bond Type

Outstanding as of March 31, 2021

	Par Outstanding ⁽¹⁾		Debt Service Outstanding ⁽¹⁾	
	Gross Amount	%	Gross Amount	%
Bond Type				
General Obligation ⁽²⁾	\$ 11,900	29.4	\$ 24,495	31.0
Tax-Backed	7,824	19.3	15,468	19.6
Military Housing	6,986	17.3	14,691	18.6
Municipal Utilities	6,591	16.3	9,496	12.0
Transportation	2,949	7.3	8,971	11.4
General Obligation - lease	1,689	4.2	2,239	2.8
Higher Education	1,066	2.6	1,519	1.9
Health Care	805	2.0	1,160	1.5
Investor Owned Utilities ⁽³⁾	558	1.4	808	1.0
Other ⁽⁴⁾	66	0.1	90	0.1
Municipal Housing	44	0.1	62	0.1
Total	\$ 40,478	100.0	\$ 78,999	100.0

(1) For exposure classified as Capital Appreciation Bonds (CABs) by the Company, gross par reflects the par amount at the time of issuance of the insurance policy, interest accretion on CABs after the issuance of our insurance policy is included in debt service.

(2) Includes general obligation unlimited and limited (property) tax bonds, general fund obligation bonds and pension obligation bonds of states, cities, counties, schools and special districts.

(3) Includes Investor-Owned Utilities, Industrial Development and Pollution Control Revenue Bonds.

(4) Includes certain non-profit enterprises and stadium related financings.

National Public Finance Guarantee Corporation
Insured Portfolio - 50 Largest Credits
By Gross Par Outstanding as of March 31, 2021⁽¹⁾
(in millions)

Obligor Name	State	Internal Rating ⁽²⁾	Gross Par Outstanding	Gross Par Plus CABs Plus Accreted Interest	Gross Debt Service Outstanding
1 New Jersey Economic Development Authority State Pension Obligation Lease	NJ	bbb2	\$ 1,284	\$ 1,284	\$ 1,880
2 Oregon School Boards Association General Obligation	OR	aa3	1,142	1,291	1,598
3 Army Hawaii Family Housing	HI	aa2	1,082	1,082	2,133
4 Camp Pendleton Quantico Housing Privatization	CA	aa2	1,003	1,003	2,030
5 San Diego Family Housing Privatization Military	CA	aa1	931	931	1,911
6 Puerto Rico Electric Power Authority	PR	d	903	903	1,202
7 New Jersey Transportation Trust Fund Authority	NJ	bbb2	788	895	1,113
8 Ohana Military Communities, LLC	HI	aa3	782	883	1,917
9 Atlantic Marine Corps Communities LLC	VA	NA ⁽³⁾	630	630	1,302
10 Illinois Regional Transportation Authority	IL	a2	585	585	806
11 Great River Energy Public Power	MN	a3	580	580	835
12 Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	549	549	903
13 Illinois Metropolitan Pier & Exposition Authority	IL	bbb3	549	1,512	4,168
14 LCOR Alexandria L.L.C. Federal Lease	NC	bbb1	540	540	792
15 Navy Mid-Atlantic Family Housing LLC	VA	aa2	525	525	1,041
16 Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a3	480	480	684
17 Puerto Rico General Obligation	PR	d	459	459	587
18 City of Chicago Board of Education	IL	bbb3	458	1,122	1,523
19 Alameda Corridor Transportation Authority Port Revenue Bonds	CA	a3	410	721	1,278
20 Navy Southeast	FL	bbb3	396	396	940
21 Phoenix Civic Improvement Corp State Payments	AZ	bbb1	364	364	671
22 Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	363	1,070	2,845
23 Santa Clara County Pension Obligation	CA	aa3	341	405	658
24 New Jersey Economic Development Authority Lease	NJ	bbb2	336	336	407
25 Fort Drum Family Housing	NY	a2	324	324	707
26 Arapahoe County E-470 Toll Road	CO	a3	320	980	1,581
27 City of Houston Combined Utility System Revenue Bonds	TX	a2	306	306	306
28 Oglethorpe Power Corporation	GA	a3	300	300	499
29 Kentucky Municipal Power Agency	KY	bbb1	269	269	434
30 Pacific Beacon LLC	CA	a1	257	286	601
31 San Mateo County Community College District GO	CA	aa1	257	517	781
32 Fort Dix/McGuire AFB Military Housing	NJ	aa2	253	253	533
33 Cincinnati City School District General Obligation	OH	aa3	248	248	332
34 Philadelphia City Auth Industrial Dev GO	PA	bbb1	243	243	357
35 Tierra Vista Communities LLC	CO	a1	241	241	568
36 Sacramento County Water Financing Authority Water	CA	a2	229	229	355
37 Great Lakes Water Authority - Sewer System	MI	bbb1	227	232	280
38 New York State Power Authority	NY	aa2	226	226	419
39 Central Puget Sound Regional Transit Auth Sales	WA	aa2	224	224	265
40 Fresno County Pension Obligation	CA	aa3	216	436	634
41 Fort Hood Family Housing	TX	a1	211	211	340
42 Georgia Municipal Electric Authority	GA	a2	211	211	227
43 Atlanta City Water & Sewer	GA	a2	210	210	241
44 Pacific Northwest Communities, LLC	WA	aa3	199	199	399
45 San Joaquin Hills Transportation Corridor Agency Toll Road	CA	bbb2	198	732	1,213
46 Massachusetts General Obligation	MA	a1	196	196	270
47 City of Bridgeport (CT) General Obligation	CT	bbb2	195	195	276
48 New York State Local Government Assistance Corporation	NY	a2	187	187	188
49 Detroit City Water System	MI	bbb1	185	185	215
50 District of Columbia Sales Tax-Stadium Revenue	DC	bbb1	183	183	275
			\$ 21,595	\$ 26,369	\$ 45,520
Total Portfolio Exposure			\$ 40,478	\$ 51,976	\$ 78,999
50 Largest Credits as % of Total Portfolio			53.3%	50.7%	57.6%

- (1) For exposure classified as Capital Appreciation Bonds (CABs) by the Company, gross par reflects the par amount at the time of issuance of the insurance policy; interest accretion on CABs after the issuance of our insurance policy through to the current reporting period is included in gross par plus CABs accreted interest; interest accretion on CABs after the issuance of our insurance policy through to the final expected maturity of the exposure is included in debt service.
- (2) Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbolologies used by S&P and Moody's (e.g. aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.).
- (3) Credit Rating Not Applicable. Credit consists of four classes of bonds which are independently rated as follows: Class I rated a1; Class II rated a3; Class III rated a3; and Class IV rated bb1.

National Public Finance Guarantee Corporation
as of March 31, 2021
(in millions)

Credit Quality Distribution⁽¹⁾⁽²⁾

	Gross Par Outstanding		Gross Debt Service Outstanding	
	Amount	%	Amount	%
Public Finance				
AAA	\$ 2,047	5.1%	\$ 4,054	5.1%
AA	15,612	38.5%	27,903	35.3%
A	12,445	30.7%	24,074	30.5%
BBB	6,826	16.9%	14,343	18.2%
<BBB	3,548	8.8%	8,625	10.9%
Total	<u>\$ 40,478</u>	<u>100.0%</u>	<u>\$ 78,999</u>	<u>100.0%</u>

Top 10 Below Investment Grade (BIG) Credits by Gross Par Outstanding⁽¹⁾⁽²⁾

Obligor Name	Gross Par Outstanding	Gross Par Plus CABs Accreted Interest	Gross Debt Service Outstanding
1 Puerto Rico Electric Power Authority	\$ 903	\$ 903	\$ 1,202
2 Puerto Rico Highway and Transportation Authority Transportation Revenue	549	549	903
3 Puerto Rico General Obligation	459	459	587
4 City of Chicago Board of Education	458	1,123	1,523
5 Toll Road Investors Partnership II L.P. Dulles Greenway Project	363	1,070	2,845
6 Virgin Islands Public Finance Authority Gross Receipts	170	170	213
7 Atlantic Marine Corps Communities LLC (Class IV)	137	137	261
8 Frontier Communications OPCO	115	115	167
9 Atlantic City Casino Reinvestment Development Authority Parking Fee	85	85	97
10 Harris County-Houston Sports Authority	76	229	488
Total Top 10 BIG Outstanding	<u>\$ 3,315</u>	<u>\$ 4,840</u>	<u>\$ 8,286</u>
Total BIG Outstanding	\$ 3,548	\$ 5,110	\$ 8,625
Total National Outstanding	\$ 40,478	\$ 51,976	\$ 78,999
Top 10 BIG as % of National	8.2%	9.3%	10.5%
Total BIG as % of National	8.8%	9.8%	10.9%
Total BIG as % of National by National ratings	6.5%	5.4%	5.2%

(1) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the S&P Priority Method; where S&P's underlying rating is used, when available, Moody's underlying rating is used if the S&P underlying rating is not available and an internal underlying rating is used if neither S&P's nor Moody's underlying ratings are available.

(2) For exposure classified as Capital Appreciation Bonds (CABs) by the Company, gross par reflects the par amount at the time of issuance of the insurance policy; interest accretion on CABs after the issuance of our insurance policy through to the current reporting period is included in gross par plus CABs accreted interest; interest accretion on CABs after the issuance of our insurance policy through to the final expected maturity of the exposure is included in debt service.

MBIA Insurance Corporation and Subsidiary

MBIA Insurance Corporation
Statutory Balance Sheets
(in millions)

	March 31, 2021	December 31, 2020
Assets		
Bonds	\$ 142	\$ 84
Cash, cash equivalents and short-term investments	499	127
Investment in MBIA Mexico	7	7
Total investments	648	218
Other assets	3	3
Total assets	\$ 651	\$ 221
Liabilities		
Unearned premiums	\$ 74	\$ 79
Contingency reserve	167	167
Borrowed money	194	339
Loss and LAE reserve ⁽¹⁾	108	(478)
Payable for investments purchased	31	-
Other liabilities	7	8
Total liabilities	581	115
Policyholders' Surplus		
Common stock	15	15
Preferred stock	3	3
Surplus notes	953	953
Gross paid in and contributed surplus	1,056	1,056
Unassigned surplus (deficit)	(1,957)	(1,921)
Total policyholders' surplus	70	106
Total liabilities and policyholders' surplus	\$ 651	\$ 221

(1) Calculated using a discount rate of 5.10% as of March 31, 2021 and December 31, 2020.

MBIA Insurance Corporation
Statutory Statements of Income
(in millions)

	Three Months Ended March 31,	
	2021	2020
Gross premiums written	\$ 4	\$ 4
Ceded premiums written	(1)	(1)
Net premiums written	3	3
Underwriting income		
Net premiums earned	7	6
Losses and LAE incurred	27	105
Underwriting expenses incurred	5	6
Net underwriting income (loss)	(25)	(105)
Investment income		
Net investment income earned	(9)	(8)
Net realized capital gains (losses)	-	(1)
Net investment gain (loss)	(9)	(9)
Other income (expense)	-	23
Income (loss) before income taxes	(34)	(91)
Provision (benefit) for income taxes	-	-
Net income (loss)	\$ (34)	\$ (91)

MBIA Insurance Corporation (excluding Subsidiary)
Liquidity Position ⁽¹⁾
(in millions)

2021	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-Date
Beginning Cash	\$ 13				\$ 13
Premiums and Fees	4				4
Salvage Received ⁽²⁾	616				616
Net Investment Income	1				1
Total Inflows	621				621
Gross Loss & LAE Payments ⁽³⁾	54				54
Other Payments	14				14
Total Outflows	68				68
Operating Cash Flow	553				553
Loan Payments ⁽⁴⁾	(150)				(150)
Investing Activities	(361)				(361)
Net Cash Flow	42				42
Ending Cash	\$ 55				\$ 55
Other Liquid Assets ⁽⁵⁾	448				448
Ending Liquidity Position	\$ 503				\$ 503

2020	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash	\$ 17	\$ 28	\$ 13	\$ 12	\$ 17
Premiums and Fees	4	11	6	11	32
Salvage Received	10	11	12	16	49
Net Investment Income	-	1	-	-	1
Other ⁽³⁾	-	-	32	2	34
Total Inflows	14	23	50	29	116
Gross Loss & LAE Payments ⁽³⁾	9	8	9	11	37
Other Payments	13	13	40	18	84
Total Outflows	22	21	49	29	121
Operating Cash Flow	(8)	2	1	-	(5)
Investing Activities	19	(17)	(2)	1	1
Net Cash Flow	11	(15)	(1)	1	(4)
Ending Cash	\$ 28	\$ 13	\$ 12	\$ 13	\$ 13
Other Liquid Assets ⁽⁵⁾	92	110	117	117	117
Ending Liquidity Position	\$ 120	\$ 123	\$ 129	\$ 130	\$ 130

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Liquidity Position excludes assets of branch and subsidiary, which are not readily available to MBIA Insurance Corporation.

(2) Includes \$600 million Credit Suisse Recoverable received in February.

(3) May include payments/reinsurance recoveries on U.S. Public Finance transactions insured by MBIA Insurance Corporation that have been reinsured by National Public Finance Guarantee Corporation.

(4) Optional prepayment made on MZ Funding senior notes.

(5) May include assets with stated maturities greater than 12 months that are deemed to be liquid.

MBIA Insurance Corporation
(in millions)

Statutory Amortization of Gross Par, Gross Debt Service and Net Unearned Premium and Future Premiums

	Ending Gross Par Outstanding ⁽¹⁾	Ending Gross Debt Service Outstanding ⁽¹⁾	Net Unearned Premiums ⁽²⁾	Expected Future Premium Earnings ⁽²⁾⁽³⁾	Expected Future Earnings on Premiums Not Yet Received ⁽⁴⁾	Total	Net Cash Premiums Collected and Expected ⁽⁵⁾⁽⁶⁾
1st Qtr. 2021	7,271	9,329	74				2
2nd Qtr. 2021	6,727	8,662	67	7	2	9	6
3rd Qtr. 2021	6,617	8,461	66	1	4	5	2
4th Qtr. 2021	6,193	7,934	60	6	4	10	5
2022	4,267	5,694	46	14	18	32	17
2023	3,744	4,948	38	8	11	19	10
2024	3,250	4,262	28	10	9	19	9
2025	2,767	3,619	19	9	9	18	8
2026-2030	1,376	1,719	1	18	21	39	20
2031-2035	818	911	-	1	10	11	9
2036-2040	69	92	-	-	-	-	2
2041 and thereafter	-	-	-	-	-	-	-
Total				\$ 74	\$ 88	\$ 162	\$ 88

- (1) Excludes \$35 million and \$44 million of gross par and gross debt service, respectively, where MBIA Corp. insured exposure has been fully offset by way of loss remediation transactions.
(2) Statutory accounting basis.
(3) Actual future premium earnings will differ from the current projection due to changes in prepayment speeds, settlements and terminations.
(4) Undiscounted, based on the Company's estimate of the remaining life for its insured exposures.
(5) Represents installment-based future undiscounted collections net of amounts to be ceded to reinsurers.
(6) Based on the Company's estimate of the remaining life for its insured exposures.

Claims-Paying Resources

	3/31/2021	12/31/2020
Policyholders' Surplus	\$ 70	\$ 106
Contingency Reserve	167	167
Statutory Capital	237	273
Unearned Premiums	74	79
Present Value of Installment Premiums ⁽¹⁾	71	73
Premium Resources ⁽²⁾	145	152
Net Loss and LAE Reserves ⁽¹⁾	108	(478)
Salvage Reserves on Paid Claims ⁽¹⁾	405	1,045
Gross Loss and LAE Reserves	513	567
Total Claims-Paying Resources	\$ 895	\$ 992
Net Debt Service Outstanding	\$ 8,806	\$ 9,327
Capital Ratio	37:1	34:1
Claims-Paying Resources Ratio	10:1	9:1

- (1) Calculated using a discount rate of 5.10% as of March 31, 2021 and December 31, 2020.
(2) The amounts consist of financial guarantee insurance premiums and insured credit derivative revenue.

MBIA Insurance Corporation
Investment Portfolio Including Cash and Cash Equivalents
as of March 31, 2021
(in millions)

Statutory Accounting Basis

Investments	Book/ Adjusted Carry Value	% Book Yield	Market Value	% of Market Value
Bonds				
Long-Term Tax-Exempt	\$ 22	4.68	\$ 29	12
Long-Term Taxable	120	5.51	133	56
Short-Term	77	0.08	77	32
Total Bonds	219	3.55	\$ 239	100
Cash and Cash Equivalents	422			
Total Fixed Income Including Cash and Cash Equivalents	641			
Common Stocks	7			
Total	\$ 648			

		% of Book/ Adjusted Carry Value
Fixed Income Portfolio Including Cash and Cash Equivalents		
Cash and Cash Equivalents	\$ 422	66
State and Municipal	69	11
MBS	69	11
US Treasury	51	8
Corporate Obligations	30	4
Total	\$ 641	100

Effective Maturity Profile of Fixed Income Portfolio		
Cash and Cash Equivalents	\$ 422	66
≤ 1 yr	78	12
> 1 to 5 yrs	6	1
> 10 to 15 yrs	20	3
> 15 to 20 yrs	100	16
> 20 yrs	15	2
Total	\$ 641	100

Credit Quality Distribution of Long-Term Bonds Rating ⁽¹⁾		
Aaa	\$ 11	8
Aa	55	39
A	7	5
BIG	69	48
	\$ 142	100

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 4.24 years

Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 2.90 years

(1) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.

MBIA Insurance Corporation and Subsidiary
Insured Portfolio Profile
(in millions)

Par Value by Bond Type

Outstanding as of March 31, 2021 ⁽¹⁾⁽²⁾⁽³⁾		
	Gross	%
<u>Public Finance: Non-United States</u>		
Sovereign and Sub-Sovereign ⁽⁴⁾	\$ 1,899	26.1
Transportation	1,799	24.7
International Utilities	804	11.1
Other ⁽⁵⁾	94	1.3
Total Non-United States Public Finance	\$ 4,596	63.2
<u>Structured Finance - Global</u>		
Mortgage Backed Residential	\$ 1,422	19.5
Corporate Asset Backed	535	7.4
Collateralized Debt Obligations	276	3.8
Consumer Asset Backed	230	3.2
Mortgage Backed Commercial	212	2.9
Total Global Structured Finance	2,675	36.8
Grand Total	\$ 7,271	100.0

Par Value by Geography

Outstanding as of March 31, 2021 ⁽¹⁾⁽²⁾⁽³⁾		
	Gross	%
United States	\$ 2,058	28.3
Australia	1,217	16.7
Chile	990	13.6
United Kingdom	894	12.3
Canada	849	11.7
Mexico	775	10.7
Spain	125	1.7
Other ⁽⁶⁾	192	2.6
Internationally Diversified	171	2.4
Total Non-United States	5,213	71.7
Total	\$ 7,271	100.0

(1) Excludes \$1.1 billion guaranteed by MBIA Insurance Corporation for MZ Funding notes, investment agreements, and medium-term notes issued by various affiliated companies.

(2) Includes consolidated insured Variable Interest Entities (VIEs) and insured Credit Derivatives.

(3) Excludes \$35 million of gross par where MBIA Corp.'s insured exposure has been fully offset by way of loss remediation transactions.

(4) Includes Regions, Departments or their equivalent in each jurisdiction as well as sovereign owned entities that are supported by a Sovereign State, Region or Department.

(5) Includes municipal-owned entities backed by the sponsoring local government and a tax-backed transaction.

(6) Includes France and Ireland.

MBIA Insurance Corporation and Subsidiary
Top 10 Below Investment Grade (BIG) Credits ⁽¹⁾
(in millions)

Obligor Name	Gross Par Outstanding as of March 31, 2021
1 Private Sovereign and Sub-Sovereign 52, 55, 56, 67, 88, 89, 90	\$ 125
2 MS CDO 29	124
3 Private Secondary-Domestic RMBS Transaction	103
4 Hipotecaria Su Casita 2007-2	96
5 MS CDO 27	69
6 RMBS Secondary	61
7 GMAC Financiera Grupo Financiero HSBS 2007-1	55
8 Deutsche Bank Alt-A Securities Trust 2007-AR3	54
9 RMBS Secondary Domestic 26	52
10 Hipotecaria Su Casita 2007-1	50
Total Top 10 Below Investment Grade	\$ 789
Total BIG Gross Par Outstanding	\$ 1,788
Total MBIA Gross Par Outstanding	\$ 7,271
Total BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding	10.9%
Total BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding	24.6%

(1) MBIA internal ratings are as of the end of the period and determined before giving effect to MBIA's guarantee.

MBIA Inc. (Parent Company)

MBIA Inc.
(in millions)

Corporate Segment Balance Sheets ⁽¹⁾

	<u>3/31/2021</u>	<u>12/31/2020</u>
Assets:		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$696 and \$692) ⁽²⁾	\$ 754	\$ 791
Investments carried at fair value	42	40
Investments pledged as collateral, at fair value (amortized cost \$- and \$11) ⁽³⁾	-	6
Short-term investments at fair value (amortized cost \$26 and \$38)	26	38
Other investments	16	16
Total investments	838	891
Cash and cash equivalents	24	29
Other assets	37	34
Total Assets	899	954
Liabilities:		
Investment agreements ⁽⁴⁾	268	269
Global Funding LLC, Medium-term Notes	698	710
MBIA Inc. Senior Unsecured	625	619
Income taxes	5	15
Derivative liabilities	125	164
Other liabilities	59	67
Total Liabilities	1,780	1,844
Total Equity	\$ (881)	\$ (890)

(1) In addition to the assets and liabilities included in the Corporate segment, MBIA Inc. has investments in subsidiaries not included in the Corporate segment balance sheets.

(2) Includes securities at fair value of \$154 million and \$214 million posted to derivative counterparties as of March 31, 2021 and December 31, 2020, respectively.

(3) Represents assets of the tax escrow under the Company's tax sharing agreement, excluding MBIA Inc. common shares.

(4) Fair value of securities pledged as collateral for investment agreements were \$278 million and \$282 million as of March 31, 2021 and December 2020, respectively.

MBIA Inc. (Parent Company)

Liquidity Position ⁽¹⁾⁽²⁾⁽³⁾

(in millions)

2021	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-Date
Beginning Liquidity Position	\$ 294				\$ 294
Total Cash Inflows	5				5
MTN P&I Payments	1				1
Debt P&I Payments	4				4
Other Payments	6				6
Total Cash Outflows	11				11
Investment and Other Activity	10				10
Change in Liquidity Position	4				4
Ending Liquidity Position	\$ 298				\$ 298

2020	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Liquidity Position	\$ 375	\$ 314	\$ 325	\$ 335	\$ 375
Total Cash Inflows	7	25	4	85	121
MTN P&I Payments	1	3	-	1	5
Debt P&I Payments	5	18	6	133	162
Contributions to Subsidiaries	67	(21)	(10)	(5)	31
Other Payments	9	3	3	3	18
Total Cash Outflows	82	3	(1)	132	216
Investment and Other Activity	14	(11)	5	6	14
Change in Liquidity Position	(61)	11	10	(41)	(81)
Ending Liquidity Position	\$ 314	\$ 325	\$ 335	\$ 294	\$ 294

(1) Presented on a direct cash flow basis for transactions settled within the reported periods. Liquidity Position excludes assets that are not readily available for sale, such as pledged assets for investment agreements.

(2) Liquidity Position may include assets with stated maturities greater than 12 months that are deemed to be liquid.

(3) Excludes tax escrow investments held under the tax sharing agreement.

Glossary

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 economic 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. The Company applies a zero effective tax rate for federal income tax purposes to its pre-tax adjustments, if applicable. 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 diluted common share represents that amount of Adjusted Net Income (Loss) allocated to each fully diluted weighted-average common share outstanding for the measurement period.

Amortized Cost: The purchase price of a fixed-maturity security, net of any discount received or premium paid. Amortized cost is adjusted each reporting period to reflect the repayment of principal (par) by the issuer of a security and the accretion of a discount or the amortization of a premium.

Below Investment Grade (BIG): Any security rated below BBB- by S&P or Baa3 by Moody's or bbb- by MBIA.

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 impairments of AFS securities are recorded in book value through earnings.
- *Net unearned premium 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.

Book Yield: Yield of fixed-maturity investment based upon the purchase price or book value of a bond and the timing of future cash flows. The book yield includes appreciation (depreciation) on current amortized cost amounts for fixed-maturity investments purchased at a discount (premium).

Capital Appreciation Bonds: Long-term bonds which pay no current interest, but accrete or compound in value from the date of issuance to the date of maturity.

Capital Ratio: Net debt service outstanding divided by statutory capital.

Collateralized Debt Obligations (CDO): A debt instrument that is secured (collateralized) by a pool of other securities, typically loans and bonds. CDOs can include all types of loans and bonds, including high-yield bonds, emerging market bonds, asset-backed transactions and middle-market bank loans. Collateralized Bond Obligations (CBOs), Collateralized Loan Obligations (CLOs), and Collateralized Mortgage Obligations (CMOs) are types of CDOs.

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.

Claims-paying Resources Ratio: Net debt service outstanding divided by the sum of the capital base, unearned premium reserve (after-tax), present value of installment premiums (after-tax) and gross loss and loss adjustment expense (LAE) reserves.

Commercial Mortgage Backed Securities (CMBS): A type of mortgage-backed security, the word is used to distinguish it from residential mortgage-backed securities (RMBS). Commercial mortgages represent mortgage loans for non-residential properties such as office buildings, retail stores, etc.

Deferred Acquisition Cost (DAC): Deferred acquisition costs include those expenses that relate primarily to, and vary with, the acquisition of new insurance business. The Company periodically conducts a study to determine which operating costs have been incurred to acquire new insurance business and qualify for deferral. For business produced directly by National or MBIA Corp., such costs include compensation of employees involved in underwriting and deferred issuance functions, certain rating agency fees, state premium taxes and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers. DAC also include ceding commissions paid by the Company in connection with assuming business from other financial guarantors. DAC, net of ceding commissions received, related to non-derivative insured financial guarantee transactions are deferred and amortized over the period in which the related premiums are earned. Acquisition costs related to insured derivative transactions are expensed as incurred.

Par Value: Par Value is the principal (par) amount of the debt. Capital appreciation bonds are reported at the par amount at the time of issuance of the insurance policy.

Residential Mortgage Backed Securities (RMBS): A type of mortgage-backed debt obligation whose cash flows come from residential debt, such as mortgages, home-equity loans and subprime mortgages. A residential mortgage-backed security is comprised of a pool of mortgage loans created by banks and other financial institutions. The cash flows from each of the pooled mortgages is packaged by a special purpose entity into classes and tranches, which then issues securities and can be purchased by investors.

Variable Interest Entity (VIE): A VIE is a legal entity, such as a Special Purpose Entity, trust, limited liability corporation, partnership, or corporation, that has (i) insufficient equity to finance its activities without additional subordinated financing, or (ii) in which the equity holders do not have the power, through voting rights or otherwise, to direct the economic activities or do not absorb losses or receive residual returns of the entity, or (iii) in which the voting rights of some investors are not proportional to their obligation to absorb losses or receive residual returns and substantially all the entity's activities are conducted on behalf of an investor with disproportionately few voting rights.

Corporate Headquarters

MBIA Inc.
1 Manhattanville Road
Suite 301
Purchase, NY 10577
914-273-4545
www.mbia.com

Investor Relations Contacts

Anthony McKiernan
Executive Vice President
Chief Financial Officer
914-765-3611
anthony.mckiernan@mbia.com

Greg Diamond
Managing Director Investor and Media Relations
914-765-3190
greg.diamond@mbia.com

Common Stock:

Listed on the New York Stock Exchange
----Ticker Symbol--- MBI

Transfer Agent and Dividend Disbursing Agent:

AST
6201 15th Avenue
Brooklyn, NY 11219
1-800-937-5449
<https://www.astfinancial.com/>