



NEWS RELEASE

## MBIA Announces Comprehensive Settlement with Bank of America

5/6/2013

ARMONK, N.Y.--(BUSINESS WIRE)-- MBIA Inc. (NYSE: MBI) (the Company) today announced that it has, together with its subsidiaries MBIA Insurance Corporation (MBIA Corp.) and National Public Finance Guarantee Corporation (National), agreed to the terms of a comprehensive settlement agreement and related agreements (the Settlement Agreement) with Bank of America Corporation and certain of its subsidiaries (Bank of America). Under the terms of the Settlement Agreement, MBIA Corp. will receive a net payment of approximately \$1.7 billion, consisting of approximately \$1.6 billion in cash and \$137 million principal amount of MBIA Inc.'s 5.70% Senior Notes due 2034. In exchange for the \$1.7 billion net payment, MBIA Corp. will dismiss the litigation commenced in September 2008 against Countrywide Home Loans, Inc. (Countrywide), among other parties, and later amended to include claims against Bank of America, relating to breaches of representations and warranties on certain MBIA-insured securitizations sponsored by Countrywide. Bank of America and MBIA have also agreed to the commutation of all of the MBIA Corp. policies held by Bank of America, which have a notional insured amount of approximately \$7.4 billion, and of which \$6.1 billion are policies insuring credit default swaps held by Bank of America referencing commercial real estate exposures. MBIA Corp. will have no further payment obligations under the commuted policies. The Settlement Agreement requires certain approvals of the New York State Department of Financial Services, which are expected to be received shortly, at which point the parties will execute the agreements and promptly close all contemplated transactions described herein.

"We are very pleased to have reached a comprehensive settlement agreement with Bank of America that improves the outlook for MBIA Insurance Corp. and sets the stage for National to reclaim its leadership position in the U.S.

public finance insurance market," said Jay Brown, MBIA CEO. "I appreciate Bank of America's efforts to arrive at a fair agreement that resolves a number of legacy issues for both institutions as well as the assistance provided by Superintendent Lawskey and the New York State Department of Financial Services. While work remains to be done, today's announcement represents a significant milestone in MBIA's Transformation for the future and toward our goal of resuming growth in shareholder value."

Under the terms of the Settlement Agreement, Bank of America will receive five-year warrants to purchase 9.94 million shares of MBIA common stock at a price of \$9.59 per share. Bank of America also agreed to dismiss its claims in the pending litigation concerning the restructuring transactions announced by MBIA on February 18, 2009 (the Transformation) and the pending litigation between the parties concerning the senior debt Consent Solicitation completed by MBIA in the fourth quarter of 2012. In addition, Bank of America agreed to withdraw the purported "notice of default" it sent in connection with the Consent Solicitation.

MBIA Corp.'s policies insuring the residential mortgage-backed securities (RMBS) transactions originated by Countrywide will continue to be in full force and effect, and MBIA Corp. will continue to make timely payment of principal and interest when due under these policies. Bank of America will have no further put-back liability to MBIA with respect to the insured Countrywide transactions.

In addition, MBIA Corp. has entered into a \$500 million three-year secured revolving credit agreement with Bank of America, which MBIA Corp. may use for general corporate purposes. Borrowings under the agreement will be secured by a pledge of the collateral that secured the National loan to MBIA Corp. and by MBIA Corp.'s equity interest in its wholly-owned subsidiary, MBIA UK (Holdings) Limited.

The payment from Bank of America, including the MBIA Inc. bonds, will be used to repay the remaining outstanding balance and accrued interest on MBIA Corp.'s secured loan from National in accordance with its terms. The secured loan balance of approximately \$1.7 billion as of April 1, 2013 had been reduced to approximately \$1.6 billion as a result of the receipt of \$110 million on May 2, 2013 in settlement of representation and warranty related litigation with Flagstar Bank.

The value of the settlement is consistent with amounts recorded to MBIA Corp.'s statutory balance sheet at year-end 2012. However, the settlement substantially improved its liquidity and capital risk profile by eliminating potentially substantial near-term payment obligations and \$7.4 billion of insured exposure, providing funds for the repayment of the secured loan from National and making a \$500 million secured loan facility available for general corporate purposes.

The Blackstone Group served as financial advisor to the Company in connection with the settlement.

The Company expects that it will announce the date and time of its first quarter 2013 financial results conference call shortly. The call had been tentatively scheduled for Thursday, May 9 at 8:00 AM, but will not take place at that time.

## Forward-Looking Statements

The information contained in this press release should be read in conjunction with our filings made with the Securities and Exchange Commission. 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,” “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, including, among other risks and uncertainties, whether the Company will realize, or will be delayed in realizing, insurance loss recoveries expected in disputes with sellers/servicers of RMBS transactions at the levels recorded in its financial statements, the possibility that the Company will experience severe losses or liquidity needs due to increased deterioration in its insurance portfolios and in particular, due to the performance of CDOs including multi-sector, CMBS and CRE CDOs and RMBS, the failure to obtain regulatory approval to implement our risk reduction and liquidity strategies, the possibility that loss reserve estimates are not adequate to cover potential claims, the risk that MBIA Insurance Corporation will be placed in a rehabilitation or liquidation proceeding by the NYSDFS, the Company’s ability to access capital and the Company’s exposure to significant fluctuations in liquidity and asset values within the global credit markets, in particular in the ALM business, the Company’s ability to fully implement its strategic plan, including its ability to achieve high stable ratings for National or any other insurance subsidiaries, and the Company’s ability to commute certain of its insured exposures, including as a result of limited available liquidity, the Company’s ability to favorably resolve litigation claims against the Company, and changes in general economic and competitive conditions. These and other 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 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 the Company’s subsequent filings with the Securities and Exchange Commission. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. The Company undertakes 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 Armonk, New York is a holding company whose subsidiaries provide financial guarantee insurance, as well as related reinsurance, advisory and portfolio services, for the public and structured finance markets, and asset management advisory services. The Company services its clients around the globe with

offices in New York, Denver, San Francisco, Paris, London, Madrid and Mexico City. Please visit MBIA's website at [www.mbia.com](http://www.mbia.com).

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Source: MBIA Inc.