



NEWS RELEASE

MBIA Inc. Reports Third Quarter 2018 Financial Results

11/6/2018

PURCHASE, N.Y.--(BUSINESS WIRE)-- MBIA Inc. (NYSE:MBI) (the Company) today reported a consolidated GAAP net loss of \$45 million, or \$(0.50) per diluted share, for the third quarter of 2018 compared to a consolidated GAAP net loss of \$267 million, or \$(2.17) per diluted share, for the third quarter of 2017. The net loss for the third quarter of 2018 was driven by losses and loss adjustment expenses that were primarily related to its Puerto Rico exposures and an accounting loss related to the deconsolidation of variable interest entities. The decrease in the year-over-year consolidated GAAP net loss was primarily due to lower losses and loss adjustment expenses and lower net investment losses related to other than temporary impairments.

Book value per share was \$12.22 as of September 30, 2018 compared with \$15.44 as of December 31, 2017. The decrease in book value per share since year-end 2017 was primarily due to the year-to-date net loss and unrealized losses on investments and debt carried at fair value that is included in accumulated other comprehensive loss.

The Company also reported Adjusted Net Loss (a non-GAAP measure defined in the attached Explanation of Non-GAAP Financial Measures) of \$32 million or \$(0.35) per diluted share for the third quarter of 2018 compared with Adjusted Net Loss of \$113 million or \$(0.91) per diluted share for the third quarter of 2017. The reduced Adjusted Net Loss for the third quarter of 2018 versus the third quarter of 2017 was primarily due to lower losses and loss adjustment expenses at National that were primarily related to its Puerto Rico exposures.

Adjusted Book Value (ABV) per share (a non-GAAP measure defined in the attached Explanation of Non-GAAP Financial Measures) was \$26.80 compared with \$28.77 as of December 31, 2017. The decrease in ABV per share since year-end 2017 was primarily due to additional loss and loss adjustment expense reserves at National that are

primarily related to its Puerto Rico exposures.

Adjusted Net Income (Loss) and ABV per share provide investors with views of the Company's operating results that management uses in measuring financial performance. Reconciliations of ABV per share to book value per share, and Adjusted Net Income (Loss) to net income, calculated in accordance with GAAP, are attached.

Year-to-Date Results

The Company recorded a consolidated GAAP net loss of \$289 million, or \$(3.24) per diluted common share, for the nine months ended September 30, 2018 compared with a consolidated net loss of \$1.6 billion, or \$(12.38) per diluted common share, for the first nine months of 2017. The lower loss this year was primarily driven by the valuation allowance established on the Company's deferred tax asset in the second quarter of 2017 and lower losses and loss adjustment expenses this year.

The Company's non-GAAP Adjusted Net Loss for the nine months ended September 30, 2018 was \$144 million or \$(1.62) per diluted share compared with Adjusted Net Loss of \$243 million or \$(1.93) per diluted share for the first nine months of 2017. The reduced adjusted net loss for the first nine months of 2018 was primarily due to lower losses and loss adjustment expenses at National and lower operating expenses for National and the Corporate segment, partially offset by lower premium earnings at National.

MBIA Inc.

As of September 30, 2018, MBIA Inc.'s liquidity position totaled \$365 million, down \$24 million from June 30, 2018, consisting primarily of cash and cash equivalents and other liquid invested assets. The decrease in liquidity primarily relates to a repurchase of MBIA Global Funding medium term notes and debt service payments. Subsequent to quarter-end, MBIA Inc. received a dividend from National of \$108 million and also \$41 million in proceeds from the sale of MBIA Inc. debt securities with 2025 and 2034 maturities that were sold to National. These debt securities had previously been repurchased by MBIA Inc., but not retired and their ownership by National has no impact on MBIA Inc.'s reported consolidated outstanding debt.

As of October 31, 2018, there was \$236 million remaining under the Company's \$250 million share repurchase authorization that was approved on November 3, 2017 and 90.7 million of the Company's common shares were outstanding.

National Public Guarantee Financial Corporation

National had statutory capital of \$2.7 billion and claims-paying resources totaling \$4.0 billion as of September 30, 2018. National's total fixed income investments plus cash and cash equivalents had a book/adjusted carrying value

of \$3.3 billion as of September 30, 2018. National's insured portfolio declined by \$3.7 billion during the quarter, ending the quarter with \$61 billion of gross par outstanding. National ended the quarter with a leverage ratio of gross par to statutory capital of 23 to 1, down from 26 to 1 as of year-end 2017.

MBIA Insurance Corporation

The statutory capital of MBIA Insurance Corporation as of September 30, 2018 was \$587 million and claims-paying resources totaled \$1.4 billion. As of September 30, 2018, MBIA Insurance Corporation's liquidity position (excluding resources from its subsidiaries and branches) totaled \$157 million consisting primarily of cash and cash equivalents and other liquid invested assets.

Conference Call

The Company will host a webcast and conference call for investors tomorrow, Wednesday, November 7, 2018 at 8:00 AM (ET) to discuss its third quarter 2018 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 (877) 694-4769 in the U.S. and (404) 665-9935 from outside the U.S. The conference call code is 1793318. 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 end of the call on November 7 and will remain available until 11:59 p.m. on November 21 by dialing (800) 585-8367 in the U.S. or (404) 537-3406 from outside the U.S. The code for the replay of the call is 1793318. 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; 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 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 Book Value: Adjusted Book Value (ABV), a non-GAAP measure, is used by the Company to supplement its analysis of GAAP book value. The Company uses ABV as a measure of fundamental value and considers the change in ABV an important measure of periodic financial performance. ABV adjusts GAAP book value by removing the GAAP book value amounts for items that are not expected to impact shareholder value and to 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 to fundamental value and performance and which the likelihood and amount can be reasonably estimated. ABV assumes no new business activity. The Company has presented ABV to allow investors and analysts to evaluate the Company using the same measure that MBIA's management regularly uses to measure financial performance. ABV is not a substitute for and should not be viewed in isolation from GAAP book value.

ABV per share represents that amount of ABV allocated to each common share outstanding at the measurement date.

Claims-Playing 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.

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, which is not part of our ongoing business strategy. 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 the establishment of a full valuation allowance against the Company's net deferred tax asset in 2017. 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 INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS (Unaudited)
(In millions except share and per share amounts)

	September 30, 2018	December 31, 2017
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,562 and \$3,728)	\$ 3,533	\$ 3,712
Investments carried at fair value	231	200
Investments pledged as collateral, at fair value (amortized cost \$32 and \$147)	30	148
Short-term investments, at fair value (amortized cost \$411 and \$589)	411	589
Other investments (includes investments at fair value of \$- and \$4)	1	6
Total investments	4,206	4,655
Cash and cash equivalents	167	122
Premiums receivable	306	369
Deferred acquisition costs	78	95
Insurance loss recoverable	1,542	511
Other assets	125	128
Assets of consolidated variable interest entities:		
Cash	12	24
Investments held-to-maturity, at amortized cost (fair value \$901 and \$916)	890	890
Investments carried at fair value	163	182
Loans receivable at fair value	428	1,679
Loan repurchase commitments	415	407
Other assets	29	33
Total assets	\$ 8,361	\$ 9,095
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 609	\$ 752
Loss and loss adjustment expense reserves	1,033	979
Long-term debt	2,218	2,121
Medium-term notes (includes financial instruments carried at fair value of \$123 and \$115)	738	765
Investment agreements	314	337
Derivative liabilities	173	262
Other liabilities	196	165
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of \$709 and \$1,069)	1,960	2,289
Total liabilities	7,241	7,670
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--		

-283,625,689		
and 283,717,973	284	284
Additional paid-in capital	3,155	3,171
Retained earnings	973	1,095
Accumulated other comprehensive income (loss), net of tax of \$7 and \$16	(206)	(19)
Treasury stock, at cost--192,936,029 and 192,233,526 shares	(3,098)	(3,118)
Total shareholders' equity of MBIA Inc.	1,108	1,413
Preferred stock of subsidiary	12	12
Total equity	1,120	1,425
Total liabilities and equity	\$ 8,361	\$ 9,095

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS (Unaudited)
(In millions except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues:				
Premiums earned:				
Scheduled premiums earned	\$ 44	\$ 26	\$ 96	\$ 82
Refunding premiums earned	18	27	42	64
Premiums earned (net of ceded premiums of \$1, \$1, \$4 and \$4)	62	53	138	146
Net investment income	31	33	96	122
Fees and reimbursements	17	1	23	9
Change in fair value of insured derivatives:				
Realized gains (losses) and other settlements on insured derivatives	(5)	(7)	(49)	(41)
Unrealized gains (losses) on insured derivatives	4	6	36	(10)
Net change in fair value of insured derivatives	(1)	(1)	(13)	(51)
Net gains (losses) on financial instruments at fair value and foreign exchange	5	(11)	18	(55)
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(26)	-	(80)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	(1)	(45)	(3)	(4)
Net investment losses related to other-than-temporary impairments	(1)	(71)	(3)	(84)
Net gains (losses) on extinguishment of debt	3	1	3	9
Other net realized gains (losses)	1	(1)	-	36
Revenues of consolidated variable interest entities:				
Net investment income	9	8	25	20
Net gains (losses) on financial instruments at fair value and foreign exchange	12	21	29	2
Other net realized gains (losses)	(33)	-	(126)	28
Total revenues	105	33	190	182
Expenses:				
Losses and loss adjustment	46	205	177	469
Amortization of deferred acquisition costs	9	8	17	23
Operating	18	21	57	82
Interest	52	50	155	148
Expenses of consolidated variable interest entities:				
Operating	3	3	8	8
Interest	22	19	63	55
Total expenses	150	306	477	785
Income (loss) before income taxes	(45)	(273)	(287)	(603)
Provision (benefit) for income taxes	-	(6)	2	965
Net income (loss)	\$ (45)	\$ (267)	\$ (289)	\$ (1,568)
Net income (loss) per common share:				
Basic	\$ (0.50)	\$ (2.17)	\$ (3.24)	\$ (12.38)
Diluted	\$ (0.50)	\$ (2.17)	\$ (3.24)	\$ (12.38)
Weighted average number of common shares outstanding:				
Basic	89,490,267	122,967,924	89,075,892	126,643,642
Diluted	89,490,267	122,967,924	89,075,892	126,643,642

ADJUSTED NET INCOME (LOSS) RECONCILIATION (1)

(In millions except per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ (45)	\$ (267)	\$ (289)	\$ (1,568)
Less: adjusted net income (loss) adjustments:				
Income (loss) before income taxes of the international and structured finance insurance segment and eliminations	(34)	(83)	(190)	(268)
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)	18	13	45	29
Foreign exchange gains (losses)(2)	2	(18)	15	(57)
Net gains (losses) on sales of investments(2)	(1)	(1)	(12)	14
Net investment losses related to OTTI	(1)	(71)	(3)	(84)
Net gains (losses) on extinguishment of debt	3	1	3	9
Other net realized gains (losses)	-	(1)	(2)	(3)
Adjusted net income adjustment to the (provision) benefit for income tax(3)	-	6	(1)	(965)
Adjusted net income (loss)	<u>\$ (32)</u>	<u>\$ (113)</u>	<u>\$ (144)</u>	<u>\$ (243)</u>
Adjusted net income (loss) per diluted common share	\$ (0.35)	\$ (0.91)	\$ (1.62)	\$ (1.93)

(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 "Provision (benefit) for income taxes" on the Company's consolidated statements of operations.

COMPONENTS OF ADJUSTED BOOK VALUE PER SHARE (1)(2)

	As of September 30, 2018	As of December 31, 2017
Reported Book Value per Share	\$ 12.22	\$ 15.44
Book value per share adjustments:		
Remove negative book value of MBIA Corp. (3)	10.55	8.84
Remove net unrealized (gains) losses on available-for-sale securities included in other comprehensive income (loss)	0.38	0.26
Add net unearned premium revenue in excess of expected losses (4)(5)	<u>3.65</u>	<u>4.23</u>
Total book value per share adjustments	<u>14.58</u>	<u>13.33</u>
Adjusted book value per share	<u>\$ 26.80</u>	<u>\$ 28.77</u>
Shares outstanding in millions	90.7	91.5

(1) A non-GAAP measure; please see Explanation of Non-GAAP Financial Measures.

(2) In the second quarter of 2018, we modified our calculation of ABV and revised the prior year's calculation to conform to the correct presentation. The net unearned premium revenue component of ABV has been adjusted to remove the amount of unearned premium revenue that is used in the GAAP calculation of our insurance loss reserves.

(3) The book value of the MBIA Corp. does not provide significant economic or shareholder value to MBIA Inc. The amounts being reversed exclude all deferred taxes available to MBIA Inc., net of valuation allowance.

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

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

INSURANCE OPERATIONS

Selected Financial Data Computed on a Statutory Basis

(Dollars in millions)

National Public Finance Guarantee Corporation

	September 30, 2018	December 31, 2017
Policyholders' surplus	\$ 2,144	\$ 2,166
Contingency reserves	538	594
Statutory capital	2,682	2,760
Unearned premiums	514	585
Present value of installment premiums (1)	159	164
Premium resources (2)	673	749
Net loss and loss adjustment expense reserves (1)	62	227
Salvage reserves	621	387
Gross loss and loss adjustment expense reserves	683	614
Total claims-paying resources	\$ 4,038	\$ 4,123
Net debt service outstanding	\$ 112,459	\$ 129,668
Capital ratio (3)	42:1	47:1
Claims-paying ratio (4)	29:1	33:1

MBIA Insurance Corporation

	September 30, 2018	December 31, 2017
Policyholders' surplus	\$ 389	\$ 237
Contingency reserves	198	227
Statutory capital	587	464
Unearned premiums	115	195
Present value of installment premiums (5) (7)	147	192
Premium resources (2)	262	387
Net loss and loss adjustment expense reserves (5)	(882)	(792)
Salvage reserves (6)	1,423	1,428
Gross loss and loss adjustment expense reserves	541	636
Total claims-paying resources	\$ 1,390	\$ 1,487
Net debt service outstanding	\$ 16,692	\$ 20,151
Capital ratio (3)	28:1	43:1
Claims-paying ratio (4)	12:1	14:1

(1) Calculated using a discount rate of 3.25% as of September 30, 2018 and December 31, 2017.

(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) Calculated using a discount rate of 5.20% as of September 30, 2018 and December 31, 2017.

(6) This amount primarily consists of expected recoveries related to the Company's excess spread, put-backs and CDOs.

(7) Based on the Company's estimate of the remaining life for its insured exposures.

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