FGIC

FOR IMMEDIATE RELEASE
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FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS
THIRD QUARTER NET INCOME OF $35.4 MILLION, DOWN 9%

$13.3 Million After-Tax Reserve Recorded for Hurricane Katrina

$96.8 Million of Gross Premiums Written, up 10%
Adjusted Gross Premiums Written[1] of $171.7 Million, up 51%

November 3, 2005 - New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company (FGIC), announced today that its net income for the quarter ended September 30, 2005 was $35.4 million, a 9% decrease from net income of $38.8 million for the quarter ended September 30, 2004. Third quarter 2005 net income was negatively impacted by a $13.3 million after-tax reserve for insured credits impaired by Hurricane Katrina.

Noting the increased reserves for the quarter, Frank J. Bivona, CEO, commented, "Hurricane Katrina has obviously had a devastating effect on the people of the Gulf region and our hearts go out to them. Though fully recognizing that the situation is still unfolding, we've set reserves against specific credits where we believe the issuer's ability to service insured debt has been impaired due to the Hurricane."

"Excluding the effects of the Hurricane on our net income," Mr. Bivona continued, "it was an excellent net income quarter for FGIC, rising 26%. It was also a particularly strong quarter for FGIC on a new writings basis, with healthy increases in adjusted gross premiums written across the board, particularly in the areas of structured and international finance that are new to FGIC. Demand for the FGIC name remains high and our return discipline remains steady."

Supplemental Income Statement Information

In addition to net income, which is computed in accordance with accounting principles generally accepted in the United States of America (GAAP), FGIC provides supplemental information for research analysts and investors. Non-GAAP earnings measures, as reported by research analysts, typically exclude net gains and losses from sales of investment securities. Research analysts may

[1] "Adjusted Gross Premiums Written" is a non-GAAP performance measure; see "Non-GAAP Performance Measures" below for further information.

further exclude the net income effect of premiums that have been accelerated because the guaranteed bonds have been refunded, called or defeased prior to scheduled maturity (accelerated premiums). Table I provides the breakout of these additional items for the third quarters of 2005 and 2004.

Table I
Net Income

$ millions

	3Q 2005	3Q 2004	% Change	9 months 2005	9 months 2004	% Change
Net Income	$35.4	$38.8	-9%	$140.8	$119.0	+18%
Less: Net income effect of net realized investment gains and losses	-	0.2		(0.1)	(0.3)	
	$35.4	$39.0		$140.7	$118.7	
Less: Net income effect of accelerated premiums	(6.6)	(10.1)		(29.8)	(23.5)	
	$28.8	$28.9		$110.9	$95.2	

Book Value and Adjusted Book Value [2]

At September 30, 2005, stockholders' equity equaled $2.04 billion, an increase of 6% from stockholders' equity of $1.92 billion at December 31, 2004. Adjusted book value (ABV), which adjusts stockholders' equity to add the impact of deferred income from business previously generated, net of expenses and taxes, increased 10% to $2.88 billion at September 30, 2005, from $2.63 billion at December 31, 2004. As of December 31, 2003, ABV was $2.33 billion. The following shows the increase in ABV between December 31, 2004 and September 30, 2005, as well as the increase between December 31, 2003 and December 31, 2004.

$ millions

	Sept 30, 2005	Dec 31, 2004	% Change
ABV	$2,883.5	$2,627.9	+10%
	Dec 31, 2004	**Dec 31, 2003**	**% Change**
ABV	$2,627.9	$2,330.2	+13%

NEW BUSINESS PRODUCTION

Adjusted Gross Premiums Written

Adjusted gross premiums written for the quarter ended September 30, 2005 were $171.7 million, a 51% increase from adjusted gross premiums written of $114.0 million for the

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[2] ABV is a non-GAAP performance measure; see "non-GAAP Performance Measures" below for further information.

quarter ended September 30, 2004. In the third quarter of 2005, FGIC experienced solid product demand, despite a business environment marked by continued challenging credit spreads and competitive pressures. Notwithstanding the current market environment, FGIC continued to expand its franchise in the public finance, structured finance and international finance markets. In the public finance market, FGIC had another solid quarter, with particularly strong results for the healthcare and investor-owned utilities businesses. In the structured finance market, FGIC closed its first transactions backed by auto loans, trade receivables, timeshares and mutual fund fees. FGIC remains cautious about the mortgage-backed market and continues to focus on transactions with solid credit and return fundamentals. In the international finance market, FGIC closed its first future flow transactions and is building a pipeline of mandates for international deals across a variety of countries, asset classes and projects. FGIC also launched its secondary market insurance program in the U.S. structured finance and international markets, leveraging off its exceptional brand name recognition and investor demand for insurer diversification.

Adjusted gross premiums written for the first nine months of 2005 were $453.1 million, a 42% increase from adjusted gross premiums written for the first nine months of 2004 of $319.2 million.

Table II breaks down adjusted gross premiums written for public, structured and international finance for the third quarters and first nine months of 2005 and 2004.

Table II
Adjusted Gross Premiums Written

$ millions

	3Q 2005	3Q 2004	% Change	9 months 2005	9 months 2004	% Change
U.S. Public Finance	$93.5	$83.3	+12%	$286.5	$240.5	+19%
U.S. Structured Finance	63.8	30.7	+108%	129.0	78.7	+64%
International Finance	14.4	-	NA	37.6	-	NA
Total	$171.7	$114.0	+51%	$453.1	$319.2	+42%

REVENUE ANALYSIS

Gross Premiums Written

- Gross premiums written for the quarter ended September 30, 2005 were $96.8 million, a 10% increase from $87.9 million for the quarter ended September 30, 2004. For public finance, gross premiums written in the quarter were $75.5 million, essentially flat to the comparable period of 2004. Structured finance gross premiums written in the quarter were $16.6 million, growing 39% from $11.9 million in the comparable quarter of 2004, reflecting FGIC's increased participation in a broader variety of asset classes in the consumer asset-backed, commercial asset-backed and structured products markets. International finance gross premiums written in the third quarter of 2005 were $4.6 million. FGIC was not active in the international market in the third quarter of 2004.

- Gross premiums written for the first nine months of 2005 were $312.5 million, a 25% increase from gross premiums written for the same period in 2004 of $250.7 million.

Net Premiums Written

- Net premiums written (gross premiums written less premiums ceded to reinsurers) for the quarter ended September 30, 2005 were $92.3 million, an increase of 6% from net premiums written for the quarter ended September 30, 2004 of $87.1 million. For the quarter ended September 30, 2005, ceded premiums were $4.5 million, compared to ceded premiums of $0.8 million for the quarter ended September 30, 2004.

- Net premiums written for the nine months ended September 30, 2005 were $288.2 million, an increase of 17% from net premiums written for the nine months ended September 30, 2004 of $246.4 million. For the nine months ended September 30, 2005, ceded premiums were $24.3 million, compared to ceded premiums of $4.4 million for the quarter ended September 30, 2004.

Net Premiums Earned

- Net premiums earned for the quarter ended September 30, 2005 were $54.8 million, a 10% increase from net premiums earned of $49.8 million for the quarter ended September 30, 2004. Scheduled net premiums earned (earned premiums excluding accelerated premiums from refundings or calls) in the quarter for public finance were $28.8 million, a 26% increase from scheduled net premiums earned in the third quarter of 2004. The increase was partially attributable to purchase accounting adjustments recorded in the third quarter of 2004. Structured finance net premiums earned in the third quarter of 2005 were $15.6 million, a 37% increase from 2004. International finance net premiums earned were $0.2 million.

- Accelerated premiums for the quarter ended September 30, 2005 were $10.2 million, compared to accelerated premiums for the comparable period in 2004 of $15.5 million.

- Net premiums earned for the nine months ended September 30, 2005 were $169.3 million, a 26% increase from net premiums earned of $134.1 million for the nine months ended September 30, 2004. Scheduled net premiums earned for the nine months ended September 30, 2005 were $79.9 million, a 15% increase from scheduled net premiums earned for the nine months ended September 30, 2004. Structured finance earned premiums for the nine months ended September 30, 2005 were $42.9, a 51% increase from the comparable period in 2004.

- Accelerated premiums for public finance the nine months ended September 30, 2005 were $46.2 million, compared to accelerated premiums for the comparable period in 2004 of $36.2 million.

Investment Income

- For the quarter ended September 30, 2005, net investment income was $30.5 million, a 22% increase from net investment income for the quarter ended September 30, 2004 of $24.9 million. The increase stemmed primarily from net operating cash flows, which increased the size of the investment portfolio. The GAAP book yield on the portfolio is currently 3.7%.

- For the nine months ended September 30, 2005, net investment income was $87.2 million, a 23% increase from net investment income for the nine months ended September 30, 2004 of $70.9 million.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses

- Underwriting and other operating expenses for the quarter ended September 30, 2005 were $17.6 million, a 43% increase compared to expenses for the quarter ended September 30, 2004 of $12.3 million. The increase primarily reflects growth in general operating expenses, primarily compensation expense, as well as an increase in the amortization of deferred policy acquisition costs. The increase in compensation expense is attributable to the higher staffing level required to support business growth.

- Underwriting and other operating expenses for the nine months ended September 30, 2005 were $44.8 million, a 33% increase compared to expenses for the nine months ended September 30, 2004 of $33.8 million. This increase resulted primarily from higher compensation costs related to the hiring of experienced professionals who are key to business growth, including the staffing of the London office and the addition of requisite corporate staff.

Loss Expenses

FGIC establishes a provision for loss and loss adjustment expenses when an actual payment default occurs or when a payment default is probable. The loss reserves that are established fall into two categories: case reserves and watch list reserves. Case reserves are established on particular insured obligations that are presently or likely to be in payment default at the balance sheet date, and for which the future loss is probable and can be reasonably estimated. Watch list reserves recognize the potential for claims against FGIC on insured obligations that are not presently in payment default, but which have migrated to an impaired level where there is a substantially increased probability of default. Watch list reserves reflect an estimate of probable loss given evidence of impairment, and a reasonable estimate of the amount of loss given default. Loss expense increases when there is deterioration relating to credits within the impaired portfolio and declines, or may be negative, if there are improvements in credits within the various impaired list categories.

- For the quarter ended September 30, 2005, loss expenses were $20.7 million compared to $6.7 million for the comparable period of 2004. As discussed below, FGIC's third quarter

2005 loss expense stemmed primarily from the negative impact that Hurricane Katrina had on credits in the City of New Orleans and immediately surrounding areas.

- For the nine months ended September 30, 2005, loss expenses were $15.0 million compared to $6.3 million for the comparable period of 2004.

Hurricane Katrina

As a result of Hurricane Katrina, FGIC placed insured credits with a total net par of $977 million on its credit watch list. Of this amount, 9 public finance credits, with an aggregate net par of $503 million, have been categorized as impaired credits for which watch list reserves of $12.1 million were established. A corresponding reinsurance recoverable of $0.4 million related to these credits was also recorded. FGIC also established a case reserve of $8.8 million for one credit with a net par of $75 million of the first mortgage bonds issued by an investor-owned utility that has filed for bankruptcy as a result of Hurricane Katrina. During the quarter, the Company paid claims totaling $4.9 million related to credits impacted by Katrina, receiving reimbursements of $0.2 million and $4.7 million in September and October, respectively, for these claims payments. At September 30, 2005, the net amount of $4.7 million is reflected as a recoverable on paid claims.

Given the unprecedented nature of the events and magnitude of damage in the affected areas, the loss reserves were necessarily based upon estimates and subjective judgments about the outcome of future events, including without limitation the amount and timing of any future federal and state aid. The loss reserves will likely be adjusted as additional information becomes available, and such adjustments may have a material impact on future results of operations.

Interest Expense

- For the quarter ended September 30, 2005 interest expense for the Notes was $4.9 million. For the quarter ended September 30, 2004 interest expense was $3.7 million.

- For the nine months ended September 30, 2005 interest expense for the Notes was $14.6 million. For the nine months ended September 30, 2004 interest expense was $10.9 million.

These period over period increases are attributable to the Company's issuance of $250.0 million of 6% Senior Notes in January 2004 and an additional $75.0 million of the Notes in December 2004.

BALANCE SHEET ITEMS

Assets

Total assets as of September 30, 2005 were $3.67 billion. This represented a 7% increase from total assets of $3.42 billion as of December 31, 2004. The increase largely reflects the Company's strong positive operating cash flow for the first nine months of 2005.

Investment Portfolio

At September 30, 2005 the market value of the Company's investment portfolio was $3.35 billion. The portfolio had an average credit quality of 'AA', based on Standard & Poor's ratings, and no investment was rated below 'A'.

ADDITIONAL INFORMATION

Claims Paying Resources

As of September 30, 2005 FGIC had total claims paying resources of $3.96 billion. This included capital and surplus of $1.16 billion and contingency reserves of $0.98 billion (which combined comprise qualified statutory capital, shown below), and unearned premium and loss and loss adjustment expense reserves totaling $1.22 billion. Table III provides comparisons of claims-paying resources as of September 30, 2005 and at year-end 2004.

Table III
Statutory Basis Claims Paying Resources

$ millions	As of 09/30/05	As of 12/31/04
Qualified Statutory Capital	$2,135.1	$2,011.2
Soft Capital	300.0	300.0
Unearned Premiums and Loss Reserves	1,223.7	1,062.4
Present Value of Installment Premiums	305.2	192.0
Total Claims-Paying Resources	$3,964.0	$3,565.6

Insured Portfolio

As of September 30, 2005, FGIC had $259 billion in insured net par outstanding. Public finance transactions represented approximately 81% of the total portfolio; structured finance represented approximately 18% of the portfolio; and international finance obligations accounted for the remaining 1%. Based on FGIC internal ratings, expressed in industry terms, 81% of the insured portfolio had an underlying credit quality of 'A' or better, with over 99% being rated investment grade.

NON-GAAP PERFORMANCE MEASURES

As indicated above, we use a number of non-GAAP performance measures in discussing our financial results and performance. Management, investors and others consider these non-GAAP measures to be useful in understanding the Company's financial position and new business production. Investors routinely request this information and many of our competitors disclose it. However, these items are not promulgated in accordance with GAAP and they should not be considered substitutes for GAAP measures.

Adjusted Book Value

Adjusted book value is defined as book value (stockholders' equity), plus the after-tax value of net unearned premium reserve less deferred acquisition costs, plus the after-tax present value of future installment premiums. Management considers ABV to be helpful in valuing the company, as it reflects income from business previously written that will be earned over time. The following provides a reconciliation of ABV to book value at September 30, 2005, December 31, 2004 and December 31, 2003.

$ millions

	As of		
	Sept 30, 2005	**Dec 31, 2004**	**Dec 31, 2003**
Adjusted Book Value	$2,883.5	$2,627.9	$2,330.2
Net unearned premium reserve less deferred acquisition costs	(650.0)	(585.1)	(514.9)
Net present value of future installment premiums	(198.4)	(124.8)	(72.2)
Book value	$2,035.1	$1,918.0	$1,743.1

Adjusted Gross Premiums Written

Adjusted gross premiums written is defined as gross up-front premiums written plus the present value of estimated installment premiums written on financial guaranty policies issued in the period (discounted at 5%). Management believes that adjusted gross premiums written is a useful measure of business production because it provides an estimate of the total value associated with business written today, not just the premiums collected or earned in the current period. In addition, adjusted gross premiums written correlates to reported insured exposure figures. A reconciliation of adjusted gross premiums written to gross premiums written for the quarters and nine months period ended September 30, 2004 and 2005 is included below:

$ millions

	3Q 2005	**3Q 2004**	**9 months 2005**	**9 months 2004**
Adjusted gross premiums written	$171.7	$114.0	$453.1	$319.2
Present value of installment premiums written on policies issued during the period	(92.9)	(38.3)	(189.5)	(99.2)
Gross up-front premiums written	78.8	75.7	263.6	220.0
Gross installment premiums written	18.1	12.1	48.9	30.7
Gross premiums written	$96.8	$87.8	$312.5	$250.7

Company Profile

FGIC Corporation is an insurance holding company whose wholly owned subsidiary, Financial Guaranty Insurance Company, provides credit enhancement on public finance and structured finance securities in the U.S. and internationally. Established in 1983, FGIC is one of the four leading monoline financial guarantors. FGIC typically guarantees the scheduled payments of principal and interest on an issuer's obligation. FGIC's financial strength is rated triple-A by Moody's Investors Service, Standard & Poor's and Fitch Ratings.

Cautionary Statement

This press release contains "forward-looking statements" - that is, statements related to future, not past, events. Forward-looking statements often address expectations and beliefs as to future performance, results and business plans. You should not place undue reliance on forward-looking statements because they are necessarily subject to risks and uncertainties, which could cause actual results and performance to differ materially from what is expressed or implied by our forward-looking statements. Among the factors that could cause our results or performance to differ are: (1) our ability to maintain our ratings; (2) our ability to execute our business plan and expand into new markets and asset classes; (3) competitive conditions and pricing levels; (4) legislative and regulatory developments within the United States or abroad, including the effect on us of new pronouncements by accounting authorities and changes in tax laws; (5) the level of activity within the national and international debt markets; (6) fluctuations in the economic, credit or interest rate environment in the United States or abroad; (7) uncertainties arising from Hurricane Katrina, referred to above; and (8) other risks and uncertainties that have not been identified by us at this time. Forward-looking statements are based upon our current expectations and beliefs concerning future events. We undertake no obligation to update or revise any forward-looking statement.

FGIC Corporation and Subsidiaries

Consolidated Balance Sheets

(Dollars in thousands, except per share amounts)

	September 30, 2005 (Unaudited)	December 31, 2004
Assets		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $3,174,600 in 2005 and $2,950,013 in 2004)	**$ 3,163,844**	$ 2,967,517
Short-term investments, at cost, which approximates fair value	**182,072**	181,700
Total investments	**3,345,916**	3,149,217
Cash and cash equivalents	**96,024**	74,578
Accrued investment income	**41,992**	36,935
Receivable for securities sold	**56**	–
Reinsurance recoverable on losses	**1,895**	3,054
Prepaid reinsurance premiums	**110,637**	109,292
Deferred policy acquisition costs	**53,613**	33,835
Recoverable on paid claims	**4,686**	–
Property and equipment, net of accumulated depreciation of $723 in 2005 and $164 in 2004	**2,608**	2,408
Prepaid expenses and other assets	**14,443**	12,601
Total assets	**$ 3,671,870**	$ 3,421,920
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**1,164,245**	1,043,334
Loss and loss adjustment expenses	**52,201**	39,181
Ceded reinsurance balances payable	**3,018**	3,826
Accounts payable and accrued expenses	**39,543**	37,286
Payable for securities purchased	**7,121**	5,715
Obligations under capital lease	**5,006**	6,446
Current federal income taxes payable	**13,719**	7,658
Deferred federal income taxes payable	**28,568**	37,160
Debt	**323,345**	323,329
Total liabilities	**1,636,766**	1,503,935
Stockholders' equity:		
Senior Participating Mandatorily Convertible Preferred Stock, par value $0.01 per share; 2,500 shares authorized, 2,346 shares issued and outstanding at September 30, 2005 and December 31, 2004	**264,327**	251,575
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized, 2,402,830 shares issued and outstanding at September 30, 2005 and December 31, 2004	**24**	24
Additional paid-in capital	**1,435,261**	1,435,261
Unearned stock compensation	**–**	(45)
Accumulated other comprehensive (loss) income, net of tax	**(7,332)**	16,433
Retained earnings	**342,824**	214,737
Total stockholders' equity	**2,035,104**	1,917,985
Total liabilities and stockholders' equity	**$ 3,671,870**	$ 3,421,920

FGIC Corporation and Subsidiaries

Consolidated Statements of Income
(Unaudited)

(Dollars in thousands)

	Three months ended September 30, 2005	Three months ended September 30, 2004	Nine months ended September 30, 2005	Nine months ended September 30, 2004
Revenues:				
Gross premiums written	**$ 96,787**	$ 87,869	**$ 312,526**	$ 250,720
Ceded premiums written	**(4,456)**	(797)	**(24,281)**	(4,356)
Net premiums written	**92,331**	87,072	**288,245**	246,364
Increase in net unearned premiums	**(37,537)**	(37,312)	**(118,911)**	(112,251)
Net premiums earned	**54,794**	49,760	**169,334**	134,113
Net investment income	**30,536**	24,888	**87,229**	70,924
Net realized (losses) gains	**(8)**	(318)	**114**	460
Other income	**402**	117	**918**	674
Total revenues	**85,724**	74,447	**257,595**	206,171
Expenses:				
Loss and loss adjustment expenses	**20,693**	6,725	**15,016**	6,319
Underwriting expenses	**22,142**	17,959	**59,409**	47,803
Policy acquisition costs deferred	**(8,169)**	(8,563)	**(25,796)**	(24,874)
Amortization of deferred policy acquisition costs	**1,873**	745	**5,874**	1,086
Interest expense	**4,875**	3,749	**14,625**	10,927
Other operating expenses	**1,752**	2,109	**5,277**	9,817
Total expenses	**43,166**	22,724	**74,405**	51,078
Income before income taxes	**42,558**	51,723	**183,190**	155,093
Income tax expense	**7,201**	12,915	**42,351**	36,141
Net income	**35,357**	38,808	**140,839**	118,952
Preferred stock dividends	**(4,251)**	(4,011)	**(12,752)**	(12,097)
Net income available to common stockholders	**$ 31,106**	$ 34,797	**$ 128,087**	$ 106,855