FGIC

FOR IMMEDIATE RELEASE
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FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS
SECOND QUARTER NET INCOME OF $56.1 MILLION, UP 25%

$131.3 million of Gross Premiums Written, up 23%
Adjusted Gross Premiums Written[1] of $175.5 million, up 37%

August 4, 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 June 30, 2005 was $56.1 million, a 25% increase from net income of $45.0 million for the quarter ended June 30, 2004.

Frank J. Bivona, CEO, commented, "Strong investor demand and trading value for FGIC-insured paper has enabled us to register terrific new premium production, while being very selective from a risk and return standpoint. We continue to maintain the lowest risk book among the 'Big Four' financial guarantors, while steadily improving return on equity for our shareholders. Net income hit another record high and is reflective of our many achievements over the past 18 months, as we've successfully expanded our franchise from both geographic and product viewpoints."

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

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

Table I
Net Income

$ millions	2Q 2005	2Q 2004	% Change	6 months 2005	6 months 2004	% Change
Net Income	$56.1	$45.0	+25%	$105.5	$80.1	+32%
Less: Net income effect of net realized investment gains and losses	-	(0.5)		0.1	0.5	
	$56.1	$45.5		$105.4	$79.6	
Less: Net income effect of accelerated premiums earned	13.2	12.2		23.2	13.5	
	$42.9	$33.3		$82.2	$66.1	

Book Value and Adjusted Book Value [2]

At June 30, 2005, stockholders' equity equaled $2.03 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 7% to $2.82 billion at June 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 June 30, 2005, as well as the increase between December 31, 2003 and December 31, 2004.

$ millions	June 30, 2005	Dec 31, 2004	% Change
ABV	$2,816.8	$2,627.9	7%
	Dec 31, 2004	**Dec 31, 2003**	**% Change**
ABV	$2,627.9	$2,330.2	13%

NEW BUSINESS PRODUCTION

Adjusted Gross Premiums Written[3]

Adjusted gross premiums written for the quarter ended June 30, 2005 were $175.5 million, a 37% increase from adjusted gross premiums written of $128.4 million for the quarter ended June 30, 2004. In the second quarter of 2005, FGIC experienced solid product demand in both the public finance and structured finance markets, despite challenging

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

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

credit spreads and competitive pressures. The continued diversification and expansion of FGIC's domestic product lines and international businesses has allowed it to exercise credit and return discipline, while continuing to grow the franchise. FGIC expects that the newer businesses, particularly in the international markets, will make increasingly significant contributions to premium production over time. FGIC will continue to focus on more complex, value-added transactions where it can utilize execution capabilities to generate good returns.

Adjusted gross premiums written for the first six months of 2005 were $281.4 million, a 37% increase from adjusted gross premiums written for the first six months of 2004.

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

Table II
Adjusted Gross Premiums Written

$ millions

	2Q 2005	2Q 2004	% Change	6 months 2005	6 months 2004	% Change
U.S. Public Finance	$ 117.3	$108.2	+8%	$193.0	$157.3	+23%
U.S. Structured Finance	43.8	20.2	+117%	65.1	47.9	+36%
International Finance	14.4	-	NA	23.3	-	NA
Total	$175.5	$128.4	+37%	$281.4	$205.2	+37%

REVENUE ANALYSIS

Gross Premiums Written

- Gross premiums written for the quarter ended June 30, 2005 were $131.3 million, a 23% increase from $106.5 million for the quarter ended June 30, 2004. For public finance, gross premiums written in the quarter were $107.9 million, growing 12% from $96.5 million in the comparable period of 2004. As in the first quarter of 2005, the increase reflected FGIC's expansion into additional bond sectors within public finance and a continued emphasis on more profitable types of transactions. Structured finance gross premiums written in the quarter were $17.4 million, growing 76% from $9.9 million in the comparable quarter of 2004 and reflecting FGIC's growth in consumer asset-backed and mortgage-backed securitizations, commercial structured deals and CDOs. International finance gross premiums written in the second quarter of 2005 were $6.0 million. FGIC was not active in the international market in the second quarter of 2004.

- Gross premiums written for the first six months of 2005 were $215.7 million, a 32% increase from gross premiums written for the same period in 2004 of $162.9 million.

Net Premiums Written

- Net premiums written for the quarter ended June 30, 2005 were $113.3 million, an increase of 7% from net premiums written for the quarter ended June 30, 2004 of $105.6 million. For the quarter ended June 30, 2005, gross premiums written were offset by $18.0 million in ceded premiums. For the comparable period in 2004, ceded premiums were $0.8 million. In the second quarter of 2005, FGIC increased its use of reinsurance in the public finance sector.

- Net premiums written for the six months ended June 30, 2005 were $195.9 million, an increase of 23% from net premiums written for the six months ended June 30, 2004 of $159.3 million. For the six months ended June 30, 2005, gross premiums written were offset by $19.8 million in ceded premiums. For the comparable period in 2004, ceded premiums were $3.6 million.

Net Premiums Earned

- Net premiums earned for the quarter ended June 30, 2005 were $61.9 million, a 16% increase from net premiums earned of $53.2 million for the quarter ended June 30, 2004. Scheduled net premiums earned in the quarter for public finance (earned premiums excluding accelerated premiums from refundings or calls) were $26.2 million, a 3% increase from scheduled net premiums earned in the second quarter of 2004. The increase in public finance scheduled premiums earned has been impacted by the high level of refundings in recent periods. Structured finance earned premiums in the second quarter of 2005 were $15.2 million, a 67% increase from 2004.

- Accelerated premiums for the quarter ended June 30, 2005 were $20.4 million, compared to accelerated premiums for the comparable period in 2004 of $18.7 million.

- Net premiums earned for the six months ended June 30, 2005 were $114.5 million, a 36% increase from net premiums earned of $84.4 million for the six months ended June 30, 2004.

- Accelerated premiums for the six months ended June 30, 2005 were $36.0 million, compared to accelerated premiums for the comparable period in 2004 of $20.7 million.

Investment Income

- For the quarter ended June 30, 2005, net investment income was $28.8 million, a 23% increase from net investment income for the quarter ended June 30, 2004 of $23.4 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 3.5%. We expect this figure to grow in time as we invest cash flows in a higher interest rate environment.

- For the six months ended June 30, 2005, net investment income was $56.7 million, a 23% increase from net investment income for the quarter ended June 30, 2004 of $46.0 million.

Net Realized Gains/Losses

- For the quarter ended June 30, 2005, the Company recognized no gains or losses on its investment portfolio. For the quarter ended June 30, 2004, net realized losses were $0.7 million.

- For the six months ended June 30, 2005, the Company recognized $0.1 million of net gains on its investment portfolio. For the six months ended June 30, 2004, net realized gains were $0.8 million.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses

- Underwriting and other operating expenses for the quarter ended June 30, 2005 were $18.7 million, a 16% decrease compared to expenses for the quarter ended June 30, 2004 of $22.3 million. Expenses for the quarter ended June 30, 2004 included $3.9 million of expense related to the establishment of a new soft capital facility. Excluding this expense, the net increase in underwriting and other operating expenses would be $0.3 million for the quarter ended June 30, 2005 when compared to the quarter ended June 30, 2004, reflecting increases in general operating expenses, primarily compensation expense, offset by an increase in ceding commission income. The increase in compensation expense is attributable to the higher staffing level required to support business growth. The increase in ceding commission income is due to reinsurance activity related to public finance deals that closed in the second quarter of 2005.

- Underwriting and other operating expenses for the six months ended June 30, 2005 were $40.8 million, a 9% increase compared to expenses for the six months ended June 30, 2004 of $37.6 million. As mentioned in our first quarter 2005 earnings release, this increase resulted primarily from higher compensation costs related to the key hiring of experienced professionals to support business growth, including the staffing of the London office, and in its corporate staff.

Loss Expenses

Loss expense represents expenses associated with impaired insured credits. 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 June 30, 2005, loss expenses were $(3.1) million compared to $(1.1) million for the comparable period of 2004. The negative loss amount in the second quarter of 2005 was due primarily to the improvement of certain public finance credits during the quarter, partially offset by some deterioration in a mortgage-backed credit.

- For the six months ended June 30, 2005, loss expenses were $(5.7) million compared to $(0.4) million for the comparable period of 2004.

Interest Expense

The Company issued $250.0 million of 6% Senior Notes in January 2004 and an additional $75.0 million of the Notes in December 2004.

- For the quarter ended June 30, 2005 interest expense for the Notes was $4.9 million. For the quarter ended June 30, 2004 interest expense was $3.8 million.

- For the six months ended June 30, 2005 interest expense for the Notes was $9.8 million. For the six months ended June 30, 2004 interest expense was $7.2 million.

BALANCE SHEET ITEMS

Assets

Total assets as of June 30, 2005 were $3.65 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 half of 2005.

Investment Portfolio

At June 30, 2005 the market value of the Company's investment portfolio was at $3.33 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 June 30, 2005 FGIC had total claims paying resources of $3.80 billion. This included capital and surplus of $1.18 billion and contingency reserves of $0.93 billion (which combined comprise qualified statutory capital below), and unearned premium and loss and loss adjustment expense reserves totaling $1.16 billion. Table III provides comparisons of claims-paying resources as of June 30, 2005 and at year-end 2004.

Table III
Statutory Basis Claims Paying Resources

$ millions	As of 06/30/05	As of 12/31/04
Qualified Statutory Capital	$2,104.4	$2,011.2
Soft Capital	300.0	300.0
Unearned Premiums and Loss Reserves	1,161.8	1,062.4
Present Value of Installment Premiums	241.9	192.0
Total Claims-Paying Resources	$3,808.1	$3,565.6

Insured Portfolio

As of June 30, 2005, FGIC had $249 billion in insured net par outstanding. Public finance transactions represented approximately 83% of the total portfolio, structured finance represented approximately 16% 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 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 June 30, 2005, December 31, 2004 and December 31, 2003.

$ millions

	As of		
	June 30, 2005	**Dec 31, 2004**	**Dec 31, 2003**
Adjusted Book Value	$2,816.8	$2,627.9	$2,330.2
Net Unearned premium reserve less deferred acquisition costs	(629.1)	(585.1)	(514.9)
Net Present value of future installment premiums	(157.2)	(124.8)	(72.2)
Book value	$2,030.5	$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%). A reconciliation of adjusted gross premiums written to premiums written for current year results is included below:

$ millions	**2Q 2005**	**2Q 2004**	**6 months 2005**	**6 months 2004**
Adjusted gross premiums written	$175.5	$128.4	$281.4	$205.2
Present value of installment premiums written on policies issued during the period	(62.0)	(32.0)	(96.5)	(60.9)
Gross up-front premiums written	113.5	96.4	184.9	144.3
Gross installment premiums written	17.8	10.1	30.8	18.6
Gross premiums written	$131.3	$106.5	$215.7	$162.9

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; and (7) 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)

	June 30, 2005 (Unaudited)	December 31, 2004
Assets		
Fixed maturity securities, available-for-sale, at fair value (amortized cost of $3,058,901 in 2005 and $2,950,013 in 2004)	**$ 3,092,041**	$ 2,967,517
Short-term investments, at cost, which approximates fair value	**233,102**	181,700
Total investments	**3,325,143**	3,149,217
Cash and cash equivalents	**69,224**	74,578
Accrued investment income	**38,535**	36,935
Receivable for securities sold	**34,265**	–
Reinsurance recoverable on losses	**2,613**	3,054
Prepaid reinsurance premiums	**117,537**	109,292
Deferred policy acquisition costs	**47,461**	33,835
Property and equipment, net of accumulated depreciation of $459 in 2005 and $164 in 2004	**2,536**	2,408
Prepaid expenses and other assets	**15,832**	12,601
Total assets	**$ 3,653,146**	$ 3,421,920
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**$ 1,132,949**	$ 1,043,334
Loss and loss adjustment expenses	**32,451**	39,181
Ceded reinsurance balances payable	**10,685**	3,826
Accounts payable and accrued expenses	**36,540**	37,286
Payable for securities purchased	**17,164**	5,715
Obligations under capital lease	**4,928**	6,446
Current federal income taxes payable	**16,569**	7,658
Deferred federal income taxes payable	**48,082**	37,160
Debt	**323,340**	323,329
Total liabilities	**1,622,708**	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 June 30, 2005 and December 31, 2004	**260,076**	251,575
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized, 2,402,830 shares issued and outstanding at June 30, 2005 and December 31, 2004	**24**	24
Additional paid-in capital	**1,435,261**	1,435,261
Unearned stock compensation	**–**	(45)
Accumulated other comprehensive income, net of tax	**23,359**	16,433
Retained earnings	**311,718**	214,737
Total stockholders' equity	**2,030,438**	1,917,985
Total liabilities and stockholders' equity	**$ 3,653,146**	$ 3,421,920

FGIC Corporation and Subsidiaries

Consolidated Statements of Income
(Unaudited)

(Dollars in thousands)

	Three months ended June 30, 2005	Three months ended June 30, 2004	Six months ended June 30, 2005	Six months ended June 30, 2004
Revenues:				
Gross premiums written	**$ 131,335**	$ 106,456	**$ 215,739**	$ 162,851
Ceded premiums written	**(18,030)**	(813)	**(19,825)**	(3,559)
Net premiums written	**113,305**	105,643	**195,914**	159,292
Increase in net unearned premiums	**(51,398)**	(52,492)	**(81,374)**	(74,939)
Net premiums earned	**61,907**	53,151	**114,540**	84,353
Net investment income	**28,818**	23,389	**56,693**	46,036
Net realized (losses) gains	**–**	(749)	**122**	778
Other income	**90**	240	**516**	557
Total revenues	**90,815**	76,031	**171,871**	131,724
Expenses:				
Loss and loss adjustment expenses	**(3,066)**	(1,070)	**(5,677)**	(406)
Underwriting expenses	**16,933**	16,399	**37,266**	29,844
Policy acquisition costs deferred	**(6,956)**	(8,630)	**(17,627)**	(16,311)
Amortization of deferred policy acquisition costs	**1,852**	184	**4,001**	342
Interest expense	**4,875**	3,763	**9,750**	7,178
Other operating expenses	**1,799**	5,876	**3,525**	7,707
Total expenses	**15,437**	16,522	**31,239**	28,354
Income before income taxes	**75,378**	59,509	**140,632**	103,370
Income tax expense	**19,281**	14,466	**35,150**	23,226
Net income	**56,097**	45,043	**105,482**	80,144
Preferred stock dividends	**(4,250)**	(4,043)	**(8,501)**	(8,086)
Net income available to common stockholders	**$ 51,847**	$ 41,000	**$ 96,981**	$ 72,058