FGIC

FOR IMMEDIATE RELEASE
Contact: Brian Moore
Investor & Public Relations
T: 212-312-2776
E: brian.moore@fgic.com

FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS
FOURTH QUARTER NET INCOME $49.6 MILLION, UP 31%

$97.7 Million of Gross Premiums Written, up 34%
Adjusted Gross Premiums Written[1] of $184.8 Million, up 70%

February 7, 2006 - New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, announced today that its net income for the quarter ended December 31, 2005 was $49.6 million, a 31% increase from net income of $37.9 million for the quarter ended December 31, 2004.

Frank J. Bivona, CEO, commented, "Our fourth quarter results topped off what can only be called an exceptional year for FGIC. Despite the effects of Hurricane Katrina, we were able to produce excellent results in terms of net income, and FGIC's new business production for the year was our highest ever."

Mr. Bivona continued, "While remaining credit- and return-focused across our increasingly diverse business lines, FGIC also set a record for adjusted gross premiums written during the fourth quarter. Furthermore, our bottom line results have really begun to reflect the business written over the past two years."

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 prior to scheduled maturity (accelerated premiums). Table I provides the breakout of these additional items for the 2004 and 2005 fourth quarters and full years.

[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	4Q 2005	4Q 2004	% Change	Full Year 2005	Full Year 2004	% Change
Net Income	$49.6	$37.9	+31%	$190.5	$156.9	+21%
Less: Net income effect of net realized investment gains and losses	-	(0.1)		(0.1)	(0.4)	
	$49.6	$37.8		$190.4	$156.5	
Less: Net income effect of accelerated premiums	(5.6)	(4.2)		(35.6)	(27.8)	
	$44.0	$33.6		$154.8	$128.7	

Book Value and Adjusted Book Value [2]

At December 31, 2005, stockholders' equity equaled $2.08 billion, an increase of 8% 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 14% to $3.00 billion at December 31, 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 December 31, 2005, as well as the increase between December 31, 2003 and December 31, 2004.

$ millions	Dec 31, 2005	Dec 31, 2004	% Change
ABV	$3,002.3	$2,627.9	+14%
	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 December 31, 2005 were $184.8 million, a 70% increase from adjusted gross premiums written of $108.4 million for the quarter ended December 31, 2004. FGIC experienced another strong business production quarter in 2005, insuring a wide range of transactions across the geographic markets it serves. FGIC's expanding presence in new markets continued its steady pace, with several new bond types insured during the quarter.

---

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

In public finance, FGIC had another solid quarter, with excellent production in the healthcare, tax-backed and transportation sectors. FGIC's public finance group continues to maintain pricing discipline in a very competitive municipal marketplace and remains focused on transactions for which it can leverage its broad range of structuring skills. In structured finance, FGIC had a very strong quarter, particularly in the MBS area where spreads widened, making insurance more attractive to FGIC's client base. FGIC further penetrated the consumer markets by insuring its largest auto loan transaction to date during the quarter. In addition, FGIC participated in a large aircraft portfolio transaction with two other monoline insurers and had a solid quarter in CDOs, where demand for the FGIC name continues to be strong. FGIC's international business had a very successful fourth quarter as well, closing a large utility transaction in Europe, a future flow transaction and several high-quality CDOs. FGIC's pipeline in the international arena continues to develop and FGIC expects growth in this portion of its business in the future.

Over the past year, FGIC greatly expanded its geographic coverage and product execution capabilities, which has resulted in a dramatic increase in new business production across the U.S., Europe and select emerging markets. FGIC continues to experience solid demand for its product in these markets due to exceptional brand name recognition, execution capabilities and continued investor demand for insurer diversification.

Adjusted gross premiums written for the full year 2005 were $637.9 million, a 49% increase from adjusted gross premiums written for the full year 2004 of $427.6 million.

Table II breaks down adjusted gross premiums written for public, structured and international finance for the fourth quarters and full years 2005 and 2004.

Table II
Adjusted Gross Premiums Written

$ millions

	4Q 2005	**4Q 2004**	**% Change**	**Full Year 2005**	**Full Year 2004**	**% Change**
U.S. Public Finance	$84.5	$66.0	+28%	$371.0	$306.5	+21%
U.S. Structured Finance	66.3	41.4	+60%	195.2	120.1	+63%
International Finance	34.0	1.0	NA	71.6	1.0	NA
Total	$184.8	$108.4	+70%	$637.9	$427.6	+49%

REVENUE ANALYSIS

Gross Premiums Written

- Gross premiums written for the quarter ended December 31, 2005 were $97.7 million, a 34% increase from $72.9 million for the quarter ended December 31, 2004. For public finance, gross premiums written in the fourth quarter of 2005 were $77.8 million, a 33% increase from the comparable period of 2004. Structured finance gross premiums written in the quarter were $18.9 million, growing 38% from $13.6 million in the comparable quarter of 2004, reflecting FGIC's increased participation in a broader array of asset classes in the consumer asset-backed, commercial asset-backed and structured products areas. International finance gross premiums written in the fourth quarter of 2005 were $1.0 million. FGIC first entered the international market in the fourth quarter of 2004.

- Gross premiums written for 2005 were $410.2 million, a 27% increase from gross premiums written for 2004 of $323.6 million.

Net Premiums Written

- Net premiums written (gross premiums written less premiums ceded to reinsurers) for the quarter ended December 31, 2005 were $92.8 million, an increase of 37% from net premiums written for the quarter ended December 31, 2004 of $67.5 million. For the quarter ended December 31, 2005, ceded premiums were $4.9 million, compared to ceded premiums of $5.3 million for the quarter ended December 31, 2004.

- Net premiums written for the year ended December 31, 2005 were $381.1 million, an increase of 21% from net premiums written for the year ended December 31, 2004 of $313.9 million. For the year ended December 31, 2005, ceded premiums were $29.2 million, compared to ceded premiums of $9.7 million for the year ended December 31, 2004.

Net Premiums Earned

- Net premiums earned for the quarter ended December 31, 2005 were $55.2 million, a 35% increase from net premiums earned of $40.8 million for the quarter ended December 31, 2004. The growth in earned premiums stems primarily from the healthy new business production of the past two years. Scheduled net premiums earned (earned premiums excluding accelerated premiums) in the quarter for public finance were $27.3 million, a 32% increase from scheduled net premiums earned in the fourth quarter of 2004. Structured finance net premiums earned in the fourth quarter of 2005 were $18.4 million, a 35% increase from the fourth quarter 2004. International finance net premiums earned in the 2005 quarter were $1.0 million.

- Accelerated premiums for the quarter ended December 31, 2005 were $8.6 million, compared to accelerated premiums for the comparable period in 2004 of $6.5 million.

- Net premiums earned for the year ended December 31, 2005 were $224.6 million, a 28% increase from net premiums earned of $174.9 million for the year ended December 31, 2004. Scheduled net premiums earned for the year ended December 31, 2005 in public finance were $107.2 million, a 19% increase from scheduled net premiums earned for the year ended December 31, 2004. Structured finance earned premiums for the year ended December 31, 2005 were $61.2 million, a 46% increase from the comparable period in 2004. International finance net premiums earned were $1.3 million.

- Accelerated premiums for public finance for the full year 2005 were $54.8 million, compared to accelerated premiums for the full year 2004 of $42.7 million.

Investment Income

- For the quarter ended December 31, 2005, net investment income was $31.6 million, a 16% increase from net investment income for the quarter ended December 31, 2004 of $27.1 million. The increase stemmed from net operating cash flows, which increased the size of the investment portfolio by approximately 12% from the fourth quarter 2004, as well as an increase in the GAAP book yield on the portfolio from 3.5% to 3.8%.

- For the year ended December 31, 2005, net investment income was $118.8 million, a 21% increase from net investment income for the year ended December 31, 2004 of $98.0 million.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses

- Underwriting and other operating expenses for the quarter ended December 31, 2005 were $14.2 million, a 5% decrease compared to expenses for the quarter ended December 31, 2004 of $14.9 million. Increases in gross underwriting expenses, primarily compensation expense, were more than offset by policy acquisition costs deferred in the quarter. The increase in compensation expense is attributable to the higher staffing level required to support business growth.

- Underwriting and other operating expenses for the year ended December 31, 2005 were $58.9 million, a 21% increase compared to expenses for the year ended December 31, 2004 of $48.7 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. The increase was partially offset by expenses incurred in 2004 related to the establishment of a soft capital facility.

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 watchlist 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. Watchlist 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. Watchlist reserves reflect an estimate of probable loss given evidence of impairment, and a reasonable estimate of the amount of loss in the event of 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 December 31, 2005, loss expenses were $3.5 million compared to $(0.4) million for the comparable period of 2004.

- For the year ended December 31, 2005, loss expenses were $18.5 million compared to $5.9 million for the comparable period of 2004.

Interest Expense

- For the quarter ended December 31, 2005 interest expense for the Notes described below was $4.9 million. For the quarter ended December 31, 2004 interest expense was $4.0 million.

- For the year ended December 31, 2005 interest expense for the Notes was $19.5 million. For the year ended December 31, 2004 interest expense was $14.9 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 December 31, 2005 were $3.75 billion. This represented a 10% 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 full year 2005.

Investment Portfolio

At December 31, 2005 the market value of the Company's investment portfolio was $3.46 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 December 31, 2005 FGIC had total claims paying resources of $4.16 billion. This included capital and surplus of $1.16 billion and contingency reserves of $1.04 billion (which combined comprise qualified statutory capital, shown below), and unearned premium and loss and loss adjustment expense reserves totaling $1.27 billion. Table III provides comparisons of claims-paying resources as of December 31, 2005 and at year-end 2004.

Table III
Statutory Basis Claims Paying Resources

$ millions

	As of 12/31/05	As of 12/31/04
Qualified Statutory Capital	$2,198.3	$2,011.2
Soft Capital	300.0	300.0
Unearned Premiums and Loss Reserves	1,273.0	1,062.4
Present Value of Installment Premiums	393.1	192.0
Total Claims-Paying Resources	$4,164.4	$3,565.6

Insured Portfolio

As of December 31, 2005, FGIC had $275 billion in insured net par outstanding. Public finance transactions represented approximately 78% of the total portfolio; structured finance represented approximately 20% of the portfolio; and international finance obligations accounted for the remaining 2%. 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% rated investment grade.

NON-GAAP PERFORMANCE MEASURES

As indicated above, FGIC uses a number of non-GAAP performance measures in discussing its financial results and performance. As explained in greater detail below, 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 the 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 December 31, 2005, December 31, 2004 and December 31, 2003.

$ millions

	As of		
	Dec 31, 2005	Dec 31, 2004	Dec 31, 2003
Adjusted Book Value	$3,002.3	$2,627.9	$2,330.2
Net unearned premium reserve less deferred acquisition costs	(667.7)	(585.1)	(514.9)
Net present value of future installment premiums	(255.5)	(124.8)	(72.2)
Book value	$2,079.1	$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 full year periods ended December 31, 2004 and 2005 is included below:

$ millions	**4Q 2005**	**4Q 2004**	**Full Year 2005**	**Full Year 2004**
Adjusted gross premiums written	$184.8	$108.4	$637.9	$427.6
Present value of installment premiums written on policies issued during the period	(108.4)	(60.9)	(310.2)	(173.4)
Gross up-front premiums written	76.4	47.5	327.7	254.2
Gross installment premiums written	21.3	25.3	82.5	69.4
Gross premiums written	$97.7	$72.9	$410.2	$323.6

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 that 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 to continue to 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)

	December 31,	
	2005	2004
Assets		
Fixed maturity securities, at fair value (amortized cost of $3,300,634 in 2005 and $2,950,013 in 2004)	**$ 3,281,671**	$ 2,967,517
Short-term investments	**176,146**	181,700
Total investments	**3,457,817**	3,149,217
Cash and cash equivalents	**51,901**	74,578
Accrued investment income	**42,871**	36,935
Reinsurance recoverable on losses	**3,271**	3,054
Prepaid reinsurance premiums	**110,636**	109,292
Deferred policy acquisition costs	**63,330**	33,835
Property and equipment, net of accumulated depreciation of $885 in 2005 and $164 in 2004	**3,092**	2,408
Prepaid expenses and other assets	**15,013**	12,601
Total assets	**$ 3,747,931**	$ 3,421,920
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**$ 1,201,163**	$ 1,043,334
Loss and loss adjustment expenses	**54,812**	39,181
Ceded reinsurance balances payable	**1,615**	3,826
Accounts payable, accrued expenses and other liabilities	**45,488**	37,286
Payable for securities purchased	**–**	5,715
Capital lease obligations	**4,262**	6,446
Federal income taxes payable	**5,683**	7,658
Deferred federal income taxes	**32,402**	37,160
Debt	**323,350**	323,329
Total liabilities	**1,668,775**	1,503,935
Stockholders' equity:		
Senior Participating Mandatorily Convertible Modified Preferred Stock, par value $0.01 per share; 2,500 shares authorized, 2,346 shares issued and outstanding at December 31, 2005 and 2004	**268,870**	251,575
Common stock, par value $.01 per share; 6,000,000 shares authorized at December 31, 2005 and 2004, 2,402,830 shares issued and outstanding at December 31, 2005 and 2004	**24**	24
Additional paid-in capital	**1,435,261**	1,435,261
Unearned stock compensation	**–**	(45)
Accumulated other comprehensive (loss) income, net of tax	**(12,907)**	16,433
Retained earnings	**387,908**	214,737
Total stockholders' equity	**2,079,156**	1,917,985
Total liabilities and stockholders' equity	**$ 3,747,931**	$ 3,421,920

FGIC Corporation and Subsidiaries

Quarterly Financial Information
(Unaudited)

(Dollars in thousands)

	Three months ended December 31,		Year ended December 31,	
	2005	**2004**	**2005**	**2004**
Gross premiums written	$ 97,676	$ 72,854	$ 410,202	$ 323,575
Net premiums written	92,809	67,512	381,054	313,878
Net premiums earned	55,235	40,836	224,569	174,949
Net investment income and net realized gains	31,563	27,177	118,906	98,561
Other income	(323)	63	595	737
Total revenues	86,475	68,076	344,070	274,247
Losses and loss adjustment expenses	3,490	(397)	18,506	5,922
Income before taxes	63,920	49,695	247,110	204,788
Net income	$ 49,627	$ 37,928	$ 190,466	$ 156,880