FGIC

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FGIC CORPORATION ANNOUNCES QUARTERLY RESULTS
FIRST QUARTER NET INCOME $55.5 MILLION, UP 12%

$89.3 Million of Gross Premiums Written, up 6%
Adjusted Gross Premiums Written[1] of $139.9 Million, up 32%

May 4, 2006 - New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, announced today that its net income for the quarter ended March 31, 2006 was $55.5 million, a 12% increase from net income of $49.4 million for the quarter ended March 31, 2005.

Frank J. Bivona, CEO, commented, "Our impressive first quarter results reflect the compounding effect of FGIC's new business activity over the past two years. We have grown our scheduled earned premiums over 40% compared to the first quarter of 2005, propelling our core growth rate. More importantly, we've substantially improved our return to shareholders."

Mr. Bivona continued, "On the production front, while we maintain return discipline in public finance, we're seeing good balance across our various lines of business, with significant contribution from our U.S. structured and international efforts. Despite a tight spread environment and competitive pressures, we continue to achieve acceptable returns by choosing deals and asset classes where the financial guaranty product adds the greatest benefit and where clients and investors place particular value on the FGIC name."

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 non-GAAP 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

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

(accelerated premiums). Table I provides the breakout of these additional items for the first quarters 2006 and 2005.

Table I
Net Income

$ millions

	1Q 2006	**1Q 2005**	**% Change**
Net Income	$55.5	$49.4	+12%
Less: Net income effect of net realized investment gains and losses	-	-	
Less: Net income effect of accelerated premiums	(4.7)	(10.1)	
	$50.8	$39.3	+29%

Book Value and Adjusted Book Value [2]

At March 31, 2006, stockholders' equity equaled $2.12 billion, an increase of 2% from stockholders' equity of $2.08 billion at December 31, 2005. 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 to $3.08 billion at March 31, 2006, from $3.00 billion at December 31, 2005. As of December 31, 2004, ABV was $2.63 billion. Table II shows the increase in ABV between December 31, 2005 and March 31, 2006, as well as the increase between December 31, 2004 and December 31, 2005.

Table II
Adjusted Book Value

$ millions

	March 31, 2006	**Dec 31, 2005**	**% Change**
ABV	$3,082.7	$3,002.3	+3%
	Dec 31, 2005	**Dec 31, 2004**	**% Change**
ABV	$3,002.3	$2,627.9	+14%

NEW BUSINESS PRODUCTION

Adjusted Gross Premiums Written

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

Adjusted gross premiums written for the quarter ended March 31, 2006 were $139.9 million, a 32% increase from adjusted gross premiums written of $105.9 million for the quarter ended March 31, 2005.

Despite a drop in new issuance, which stemmed largely from a decline in refunding activity, FGIC had another solid quarter in public finance. FGIC insured a broad range of bond types, including several high-quality tax-backed, healthcare and utility deals. Of particular note in public finance was the restructuring of a New Orleans credit. In addition to participating in the restructuring of its current guaranteed debt outstanding, FGIC increased its commitment by guaranteeing the new money portion of the transaction. FGIC believes that the terms of the restructured obligation provide a benefit for both the issuer and FGIC.

In structured finance, FGIC guaranteed a number of triple-A rated CDOs and a variety of mortgage-backed and secondary market transactions. In addition, during the quarter FGIC closed its first structured insurance transaction. These transactions are structured deals in which an insurance company uses the capital markets to fund redundant statutory reserves required under Regulation Triple-X.

In international finance, FGIC wrapped several triple-A rated CDOs and completed its second future flow transaction out of Turkey. FGIC has also received a mandate on several PFI transactions, which are expected to close in 2006.

Table III breaks down adjusted gross premiums written for public, structured and international finance for the first quarters 2006 and 2005.

Table III
Adjusted Gross Premiums Written

$ millions

	1Q 2006	**1Q 2005**	**% Change**
U.S. Public Finance	$64.8	$75.6	-14%
U.S. Structured Finance	49.6	21.3	+133%
International Finance	25.5	9.0	+183%
Total	$139.9	$105.9	+32%

REVENUE ANALYSIS

Gross Premiums Written

- Gross premiums written for the quarter ended March 31, 2006 were $89.3 million, a 6% increase from $84.4 million for the quarter ended March 31, 2005. For public finance, gross premiums written in the first quarter of 2006 were $61.3 million compared to $64.1 million for the comparable period of 2005. Structured finance gross premiums written in the quarter were $22.2 million, growing 72% from $12.9 million in the comparable quarter of 2005, 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 first quarter of 2006 were $5.8 million, compared to $7.3 million for the first quarter of 2005.

Net Premiums Written

- Net premiums written (gross premiums written less premiums ceded to reinsurers) for the quarter ended March 31, 2006 were $82.9 million compared to net premiums written for the quarter ended March 31, 2005 of $82.6 million. For the quarter ended March 31, 2006, ceded premiums were $6.4 million, compared to ceded premiums of $1.8 million for the quarter ended March 31, 2005. Ceded premiums for the first quarter 2006 reflect premiums ceded related to the restructuring of the debt of the New Orleans credit referred to above.

Net Premiums Earned

- Net premiums earned for the quarter ended March 31, 2006 were $59.5 million, a 13% increase from net premiums earned of $52.6 million for the quarter ended March 31, 2005. The growth in earned premiums stems primarily from the healthy new business production over the past two years. Total scheduled net premiums earned for the quarter ended March 31, 2006 were $52.2 million, a 41% increase from net premiums earned of $37.1 million for the quarter ended March 31, 2005. Scheduled net premiums earned (earned premiums excluding accelerated premiums) in the quarter for public finance were $28.1 million, a 13% increase from scheduled net premiums earned in the first quarter of 2005. Structured finance net premiums earned in the first quarter of 2006 were $21.4 million, a 77% increase from the first quarter of 2005. International finance net premiums earned in the first quarter 2006 were $2.7 million, compared to $0.1 million from the first quarter of 2005. FGIC began writing international business in the fourth quarter of 2004.

- Accelerated premiums for the quarter ended March 31, 2006 were $7.3 million, compared of $15.5 million for the comparable period of 2005.

Investment Income

- For the quarter ended March 31, 2006, net investment income was $32.6 million, a 17% increase from net investment income for the quarter ended March 31, 2005 of $27.9 million. The increase was attributable to the growth in the investment portfolio as a result of strong positive cash flow from premium production, as well as an increase in the GAAP book yield on the portfolio from 3.6% to 3.8%.

EXPENSE ANALYSIS

Underwriting and Other Operating Expenses

- Underwriting and other operating expenses for the quarter ended March 31, 2006 were $16.8 million, a 23% increase compared to expenses for the quarter ended March 31, 2005 of $13.7 million. The increase in gross underwriting expenses is primarily related to compensation expense driven by increased headcount, as well as $1.3 million of stock option expense resulting from implementation of FAS123 (R).

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 March 31, 2006, loss expenses generated a benefit of $1.9 million compared to a benefit of $2.6 million for the comparable period of 2005. The reduced level of reserves in each period reflects improvements in the condition of several watchlist credits.

Interest Expense

- For the quarter ended March 31, 2006, interest expense was $4.9 million, unchanged from the quarter ended March 31, 2005. Debt outstanding at both March 31, 2006 and 2005 was $323.4 million.

BALANCE SHEET ITEMS

Assets

Total assets as of March 31, 2005 were $4.60 billion compared to total assets of $3.75 billion as of December 31, 2005. Approximately $750 million of the increase stems from the Company's consolidation of a third party Variable Interest Entity. The consolidation resulted from a financial guaranty provided by the Company on the structured insurance transaction referred to above. The Company consolidated an equal amount of liabilities related to this transaction. The creditors of the VIE do not have recourse to the general assets of the Company outside the financial guaranty policy provided to the VIE.

Investment Portfolio

At March 31, 2006, the market value of the Company's investment portfolio was $3.48 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 March 31, 2005 FGIC had total claims-paying resources of $4.30 billion. This included capital and surplus of $1.15 billion and contingency reserves of $1.09 billion (which combined comprise qualified statutory capital, shown below), and unearned premium and loss and loss adjustment expense reserves totaling $1.31 billion. Table IV provides comparisons of claims-paying resources as March 31, 2006 and December 31, 2005.

Table IV
Statutory Basis Claims-Paying Resources

$ millions	**As of March 31, 2006**	**As of Dec 31, 2005**
Qualified Statutory Capital	$2,242.2	$2,198.3
Soft Capital	300.0	300.0
Unearned Premiums and Loss Reserves	1,308.1	1,273.0
Present Value of Installment Premiums	446.0	393.1
Total Claims-Paying Resources	$4,296.3	$4,164.4

Insured Portfolio

As of March 31, 2006, FGIC had $281 billion in insured net par outstanding. Public finance transactions represented approximately 77% of the total portfolio; structured finance represented approximately 20% of the portfolio; and international finance obligations accounted for the remaining 3%. 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 similar information. 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 the net unearned premium reserve less deferred acquisition costs, plus the after-tax present value of future installment premiums (discounted at 5%). 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 March 31, 2006, December 31, 2005 and December 31, 2004.

$ millions

	As of		
	March 31, 2006	**Dec 31, 2005**	**Dec 31, 2004**
Adjusted Book Value	$3,082.7	$3,002.3	$2,627.9
Net unearned premium reserve less deferred acquisition costs	(676.7)	(667.7)	(585.1)
Net present value of future installment premiums	(289.9)	(255.5)	(124.8)
Book value	$2,116.0	$2,079.1	$1,918.0

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, rather than 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 ended March 31, 2006 and 2005 is included below:

$ millions

	1Q 2006	**1Q 2005**
Adjusted gross premiums written	$139.9	$105.9
Present value of installment premiums written on policies issued during the period	(75.3)	(38.9)
Gross up-front premiums written	64.6	67.0
Gross installment premiums written	24.7	17.4
Gross premiums written	$89.3	$84.4

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 and 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 prior disclosures; 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)

	March 31, 2006 (Unaudited)	December 31, 2005
Assets		
Fixed maturity securities, available for sale, at fair value (amortized cost of $3,378,522 in 2006 and $3,300,634 in 2005)	**$ 3,325,031**	$ 3,281,671
Variable interest entity fixed maturity securities, held to maturity at amortized cost	**750,000**	–
Short-term investments	**154,744**	176,146
Total investments	**4,229,775**	3,457,817
Cash and cash equivalents	**73,478**	51,901
Accrued investment income	**46,655**	42,871
Reinsurance recoverable on losses	**2,340**	3,271
Prepaid reinsurance premiums	**112,546**	110,636
Deferred policy acquisition costs	**72,754**	63,330
Property and equipment, net of accumulated depreciation of $1,151 in 2006 and $885 in 2005	**2,850**	3,092
Prepaid expenses	**1,722**	1,378
Other assets	**51,061**	14,180
Total assets	**$ 4,593,181**	$ 3,748,476
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**$ 1,226,597**	$ 1,201,163
Loss and loss adjustment expenses	**50,228**	54,812
Ceded reinsurance balances payable	**3,967**	1,615
Accounts payable and accrued expenses	**16,672**	42,152
Other liabilities	**39,578**	3,881
Payable for securities purchased	**19,366**	–
Variable interest entity floating rate notes	**750,000**	–
Accrued interest expense – variable interest entity	**1,176**	–
Capital lease obligations	**4,328**	4,262
Federal income taxes payable	**22,717**	5,683
Deferred income taxes	**19,249**	32,402
Debt	**323,356**	323,350
Total liabilities	**2,477,234**	1,669,320
Stockholders' equity:		
Senior Participating Mandatorily Convertible Modified Preferred Stock, par value $0.01 per share; 2,500 shares authorized, 2,346 shares issued and outstanding	**$ 273,414**	$ 268,870
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized, 2,403,067 and 2,402,830 shares issued and outstanding at March 31, 2006 and December 31, 2005, respectively	**24**	24
Additional paid-in capital	**1,436,740**	1,435,261
Accumulated other comprehensive loss, net of tax	**(33,133)**	(12,907)
Retained earnings	**438,902**	387,908
Total stockholders' equity	**2,115,947**	2,079,156
Total liabilities and stockholders' equity	**$ 4,593,181**	$ 3,748,476

FGIC Corporation and Subsidiaries

Consolidated Statements of Income
(Unaudited)

(Dollars in thousands)

	Three months ended March 31, 2006	Three months ended March 31, 2005
Revenues:		
Gross premiums written	**$ 89,281**	$ 84,404
Ceded premiums written	**(6,423)**	(1,795)
Net premiums written	**82,858**	82,609
Increase in net unearned premiums	**(23,394)**	(29,976)
Net premiums earned	**59,464**	52,633
Net investment income	**32,577**	27,875
Net realized gains	**62**	122
Net market-to-market losses on credit derivative contracts	**(228)**	–
Other income	**535**	426
Total revenues	**92,410**	81,056
Expenses:		
Loss and loss adjustment expenses	**(1,933)**	(2,611)
Underwriting expenses	**24,435**	20,519
Policy acquisition costs deferred	**(12,513)**	(10,671)
Amortization of deferred policy acquisition costs	**3,192**	2,149
Other operating expenses	**1,664**	1,726
Interest expense	**4,875**	4,875
Total expenses	**19,720**	15,987
Income before income tax expense	**72,690**	65,069
Income tax expense	**17,154**	15,684
Net income	**55,536**	49,385
Preferred stock dividends	**(4,542)**	(4,251)
Net income available to common stockholders	**$ 50,994**	$ 45,134