FGIC
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FGIC Corporation Announces First Quarter 2008 Results

May 23, 2008 – New York, NY – FGIC Corporation, the parent company of Financial Guaranty Insurance Company, today announced a net loss of $33.4 million for the quarter ended March 31, 2008. The loss resulted primarily from loss and loss adjustment expenses recorded for the quarter, which were largely offset by net unrealized gains in the fair value of credit protection contracts provided by FGIC that are considered credit derivatives under generally accepted accounting principles, as discussed below. The loss and loss adjustment expense reserves related principally to FGIC's exposure to certain collateralized debt obligations of asset-backed securities (ABS CDOs), which are backed primarily by sub-prime residential mortgage-backed securities, and to certain residential mortgage-backed securities (RMBS). The fair value, or mark-to-market, gains related principally to credit protection provided by FGIC in credit default swap form in respect of ABS CDOs.

Loss and loss adjustment expenses for the first quarter of 2008 were $279.2 million before taxes. The increase in loss reserves for the quarter stemmed from continued deterioration in the performance of certain RMBS and ABS CDO transactions written primarily in 2005, 2006 and 2007. FGIC anticipates that any claims relating to these transactions will be made over a period of years. The loss reserves do not reflect the effects, if any, of the Company's loss mitigation efforts and it is not possible to predict the magnitude of any benefit that might be derived from such efforts.

In accordance with SFAS No. 157, which the Company adopted effective January 1, 2008, FGIC updated its mark-to-market methodology to take into account the market's perception of FGIC's non-performance risk. The adjusted methodology, which resulted in a reduction in the valuation of FGIC's derivative liabilities, incorporated spreads of FGIC's credit default swaps. In accordance with SFAS No. 157, the Company recorded a benefit of $1.56 billion in the fair value of credit protection contracts provided by FGIC that are considered credit derivatives, which more than offset the mark-to-market losses of $1.40 billion related to such credit derivatives and resulted in a net unrealized gain of $157.0 million in the fair value of such credit derivatives for the first quarter of 2008.

The first quarter 2008 mark-to-market loss of $1.40 billion consisted of approximately $228 million related to estimated credit impairments and $1.18 billion related to the widening of credit spreads in the structured credit markets. The estimated credit impairment of $228 million represents management's estimate of future claim payments on certain ABS CDOs and other derivative transactions.

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Claims-Paying Resources

As of March 31, 2008, FGIC had total claims-paying resources of $5.32 billion. This included capital and surplus of $366 million and contingency reserves of $635 million (which combined comprise qualified statutory capital of $1.0 billion), unearned premium and loss and loss adjustment expense reserves totaling $3.22 billion, the present value of installment premiums of $799 million and soft capital of $300 million.

Financial Statements

The Company expects to post its first quarter 2008 consolidated financial statements on its website (www.fgic.com) as soon as they are available.

Company Profile

FGIC Corporation is an insurance holding company whose wholly owned subsidiary, Financial Guaranty Insurance Company, provides credit enhancement on infrastructure finance and structured finance securities worldwide. FGIC's guaranties typically cover the scheduled payment of principal and interest on an issuer's obligations. Established in 1983, FGIC is rated "BBB" by Fitch Ratings, "Baa3" by Moody's Investors Service and "BB" by Standard & Poor's (S&P). FGIC remains on Ratings Outlook Negative from Fitch, review for possible downgrade by Moody's and Rating Watch Negative from S&P.

Cautionary Statement

This press release contains "forward-looking statements" – that is, statements related to possible future 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 those expressed or implied by our forward-looking statements. Among the factors that could cause our results or performance to differ are: (1) the extent to which we are able to pursue and achieve strategic alternatives, either with or without the participation of potential investors and other third parties; (2) further downgrades to our ratings; (3) our ability to execute our business plan given our current ratings, possible further downgrades and market conditions; (4) the results of loss mitigation efforts; (5) legislative and regulatory developments within the United States and abroad, including the effect of new pronouncements by accounting authorities; (6) competitive conditions and pricing levels; (7) the level and nature of activity within the national and international credit and other markets; (8) fluctuations in the economic, credit or interest rate environment in the United States or abroad; (9) possible defaults and/or additional ratings downgrades or actions in mortgage-backed securities and (10) 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, except as required by law.

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FGIC Corporation and Subsidiaries

Consolidated Balance Sheets

($ thousands, except per share amounts)	March 31, 2008	December 31, 2007
Assets		
Fixed maturity securities, available for sale, at fair value (amortized cost of **$3,873,931** in 2008 and $3,942,868 in 2007)	**$ 3,901,964**	$ 3,976,178
Variable interest entity fixed maturity securities, held to maturity at amortized cost	**750,000**	750,000
Short-term investments	**58,048**	126,688
Total investments	**4,710,012**	4,852,866
Cash and cash equivalents	**576,367**	140,590
Accrued investment income	**54,696**	55,745
Reinsurance recoverable on paid and unpaid losses	**40,166**	8,693
Prepaid reinsurance premiums	**220,209**	225,516
Policy acquisition costs deferred, net	**103,681**	107,854
Property and equipment, net of accumulated depreciation of **$4,565** in 2008 and $3,891 in 2007	**17,150**	16,713
Deferred income taxes	**836,869**	839,265
Derivative assets	**18**	267
Premiums receivable	**14,013**	9,607
Income taxes receivable	**59,757**	116,766
Other assets	**54,744**	55,485
Total assets	**6,687,682**	6,429,367
Liabilities and stockholders' equity		
Liabilities:		
Unearned premiums	**1,414,580**	1,458,476
Loss and loss adjustment expense reserves	**1,538,637**	1,267,420
Ceded reinsurance balances payable	**2,996**	3,696
Accounts payable and accrued expenses	**33,851**	55,976
Derivative liabilities	**1,781,664**	1,938,930
Other liabilities	**41,498**	44,276
Variable interest entity floating rate notes	**750,000**	750,000
Accrued interest expense – variable interest entity	**1,264**	1,208
Capital lease obligations	**1,587**	1,562
Long term debt and other borrowings	**573,402**	323,397
Total liabilities	**6,139,479**	5,844,941
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 March 31, 2008 and December 31, 2007	**301,921**	301,921
Preferred stock, par value $0.01 per share; 47,500 authorized, none issued and outstanding	**–**	–
Common stock, par value $0.01 per share; 6,000,000 shares authorized at March 31, 2008 and December 31, 2007, 2,404,117 and 2,403,223 shares issued and outstanding at March 31, 2008 and December 31, 2007, respectively	**24**	24
Treasury stock	**(165)**	(165)
Additional paid-in capital	**1,452,725**	1,451,530
Accumulated other comprehensive income, net of tax	**33,246**	37,309
Retained (loss)	**(1,239,548)**	(1,206,193)
Total stockholders' equity	**548,203**	584,426
Total liabilities and stockholders' equity	**$ 6,687,682**	$ 6,429,367

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FGIC Corporation and Subsidiaries

Consolidated Statements of Income

($ thousands)	Three months ended March 31, 2008	Three months ended March 31, 2007
Revenues:		
Gross direct and assumed premiums written	**$ 36,675**	$ 97,041
Ceded premiums written	**(6,181)**	(12,137)
Net premiums written	**30,494**	84,904
Change in net unearned premiums	**39,497**	(14,397)
Net premiums earned	**69,991**	70,507
Change in fair value of credit derivatives:		
Realized gains and other settlements	**8,416**	6,076
Unrealized gains	**157,017**	462
Net change in fair value of credit derivatives	**165,433**	6,538
Net investment income	**40,989**	37,772
Interest income – investments held by variable interest entity	**9,942**	11,357
Net realized (losses) gains	**(102)**	261
Other income	**1,942**	412
Total revenues	**288,195**	126,847
Expenses:		
Loss and loss adjustment expenses	**279,200**	1,182
Underwriting expenses	**35,503**	28,753
Policy acquisition costs deferred, net	**457**	(13,973)
Amortization of policy acquisition costs deferred	**3,754**	3,783
Other operating expenses	**3,039**	1,646
Interest expense – debt held by variable interest entity	**9,942**	11,357
Interest expense	**6,332**	4,875
Total expenses	**338,227**	37,623
(Loss) income before income tax	**(50,032)**	89,224
Total income tax (benefit) expense	**(16,677)**	15,838
Net (loss) income	**(33,355)**	73,386
Preferred stock dividends	–	(4,856)
Net (loss) income available to common stockholders	**$(33,355)**	$ 68,530