MBIA Written Testimony And Appendices

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Written Testimony - MBIA

The Financial Guarantee Insurance Industry

Financial guarantee insurance companies are referred to as "monolines" because they are legally authorized to sell only one line of insurance: their financial guarantee. This guarantee is unconditional and irrevocable, and it assures the timely payment of contracted principal and interest to investors holding insured bonds. Central to the business strategy of the monoline financial guarantors is the companies' Triple-A ratings. All of the other activities of the financial guarantee companies, including risk management and deal review, portfolio monitoring and remediation activities, are designed to protect it.

Benefits to Issuers and Investors

The financial guarantee industry provides an important service to debt issuers, investors and the global capital markets. For example, both issuers and investors benefit from the transparency and uniformity that MBIA's guarantee brings to an otherwise complex and opaque market, as bond insurance helps "commoditize" municipal securities from different parts of the country under different governing laws and regulations that are both taxable and tax-exempt. For issuers, the Triple-A rating on a bond reduces borrowing costs, makes the bond more marketable, and provides easier and more effective access to the capital markets while ensuring a streamlined execution. Additionally, in the case of municipal bonds, bond insurance benefits taxpayers because it lowers overall borrowing costs and enables local projects to be funded at reduced costs.

Monoline credit enhancement plays an important role in deepening capital market access for complex, large scale, and long tenor funding requirements (typically, infrastructure and public projects) which are traditionally outside the scope of bank or unwrapped financing. In addition the financial guarantee product increases efficiency by providing capital market liquidity for funding of otherwise illiquid credits.

Investors are protected with bond insurance on their investments in at least two ways: they have the insurer's unconditional guarantee of timely payment of interest and contracted principal in the event of a default, and they have added protection from the provisions

monolines negotiate into the transaction, enabling the guarantors to monitor the credit and effectively remediate it. Additionally, the Triple-A "wrap" protects against downgrade and credit losses on the underlying security.

Background on the Industry

The financial guarantee industry has its roots in the public sector, where bond insurance helps finance essential public works projects such as hospitals, bridges, roads, and airports. In the early 1990s, the monoline insurers began providing credit enhancement to structured finance transactions, which are securities backed by assets such as credit card receivables and mortgages, as well as pools of corporate bonds and loans. Today the industry guarantees financings around the world for a wide variety of debt instruments, including projects for private finance initiatives and public-private partnerships. The industry has guaranteed nearly $6 trillion in public- and private-sector debt during its 36-year history, and according to the Association for Financial Guaranty Insurers, has saved U.S. municipalities an estimated $40 billion in interest costs since 1971.

MBIA

MBIA, the world's leading monoline financial guarantee insurance company, began writing financial guarantees for municipal bonds in 1974. MBIA guarantees municipal bonds, structured finance and asset-backed obligations, payments due under credit and other derivative securities, obligations of sovereign and sub-sovereign issuers, and privately issued bonds used for financing public purpose projects overseas. MBIA's structured finance business serves a diverse client base that includes many of the world's leading specialty finance companies, commercial banks, insurance companies and investment banks. MBIA has been an innovator in the structured finance market, as it was the first monoline to guarantee securitizations for a variety of asset classes.

As of December 31, 2007, MBIA insures over $1 trillion of total debt service outstanding, and employs over 480 people in Armonk, New York, and in eleven other locations around the world. The Company has an admirable track record in selecting, underwriting, managing and remediating credit risk. Conservative underwriting is MBIA's hallmark. MBIA's prudent underwriting approach has led to the Company rejecting some of the largest exposures

currently impacting the mortgage market. For example, MBIA ceased doing business with lower quality subprime issuers in 2004 and has written only a low volume of Triple-A-rated deals in the subprime mortgage space, all with underlying Triple-A ratings, since that time. The Company's "remote-loss" underwriting standard anticipates no losses under a worst probable case scenario. Each transaction must meet MBIA's stringent credit structuring and legal criteria and, in virtually all cases, must be rated at least investment-grade by the rating agencies as well as by MBIA's internal standards, prior to MBIA insuring it.

MBIA's portfolio of insured issues is highly diversified with strict limits imposed on its exposure to specific asset classes, sectors, geographies, seller/servicers and deal structures. The portfolio is heavily weighted toward public finance, which comprises 65 percent of the insured book of business as of 12/31/07. Thirty-nine percent of the public finance issues that the Company has insured (25 percent of the total insured portfolio) is in the safest and most predictable category – General Obligation municipal bonds.

MBIA believes that diversification is key to sound credit management: it limits exposure to any particular sector which reduces loss severity to MBIA if a systemic problem were to occur in that sector. (For example, during the California energy crisis, PG&E and SoCal Edison credits came under significant stress, but MBIA's insurance portfolio was able to withstand the higher capital charges assigned to those credits.) Diversification can also reduce correlation risk. As such, the Company utilizes portfolio analysis and constructs sector exposure limits to contain potential risk exposures. Notwithstanding the diversity in the Company's portfolios (insured and investment), MBIA is selective in determining which sectors, countries, markets and structures it will insure; much the same as it culls through the high quality investment-grade-rated universe for attractive deals to wrap.

Structured Finance Products Insured By MBIA

The balance of MBIA's insured portfolio – 35 percent – is in structured finance transactions. MBIA's approach to underwriting structured finance credits follows the same remote loss standards/objectives that underlie the Company's public finance insured business. As part of this, MBIA endeavors to assess the ability and the willingness of the creditor to repay on its obligation. This portfolio consists of, among other sectors, consumer asset-backed and commercial real estate transactions, as well as residential mortgage-backed securities

(RMBS) and collateralized debt obligations (CDOs). The RMBS and asset-backed CDO portfolios, in particular, have received a great deal of focus both internally and externally in recent months, as the U.S. mortgage and housing sectors have rapidly deteriorated.

RMBS

MBIA's direct RMBS portfolio is about $43 billion, net of reinsurance, or approximately 6 percent of MBIA's total book of business. There are two separate types of RMBS-related deals that the Company insures: prime and subprime.

MBIA's prime RMBS business consists of first- and second-lien mortgages to top-tier, high quality borrowers with strong credit scores. This business focuses on two areas: (1) transactions that are backed by Triple-A-rated underlying collateral and are conservatively structured and solid performers, and (2) prime home equity lines of credit (HELOC) and closed-end second (CES) mortgages. Both the HELOCs and CESs are generally second-lien products. HELOCs are floating rate revolving loans that generally require interest-only payments through a period of time before amortizing principal, and CESs are fixed-rate second mortgages that generally amortize principal from the outset.

In contrast to MBIA's prime RMBS business, the Company's subprime business is comprised of mortgages made to lower credit quality borrowers. In response to the weakening underwriting trends MBIA observed in the subprime space during the post-2002 housing boom, MBIA enacted a conservative strategy towards subprime RMBS collateral and issuers, given the material market growth and the potential fragility of the business models of second- and third-tier issuers. Since the beginning of 2004, MBIA has limited its insurance of subprime mortgage transactions to first-lien products with top-tier originators and servicers, and only if the deal was rated Triple-A. Due to substantial subordination and loss protection on these deals and the selective strategy the Company took towards direct subprime exposure, MBIA considers the risk of material loss from this portion of its portfolio to be minimal at this time.

Historically, MBIA has had a very successful track record with prime HELOC and CES mortgage deals, experiencing solid returns and performance for a number of years. HELOC loans in particular were of high quality with very low defaults and highly predictable

performance. This has not been the recent experience, however, as the majority of the loss reserves MBIA established in the fourth quarter of 2007 are for HELOC deals that were insured in 2006 and 2007. It appears that more recent HELOC transactions consisted of greater proportions of borrowers who were more active in speculative purchases and more attracted to an interest-only loan product. The mortgage lenders' relaxed underwriting guidelines were a significant factor as well, as they permitted loans related to non-owner-occupied investor properties, lower documentation and higher Combined Loan-to-Value products. This ultimately decreased the overall quality of the HELOC portfolio, resulting in claims and expectations of future losses. The CES deals are generally a more recent vintage and fixed-rate product. These transactions may well contain more primary residence borrowers and a lower level of investor properties; nonetheless MBIA is keeping a watchful eye on these transactions.

CDOs

Financial institutions use collateralized debt obligations (CDOs), a structured finance tool, to manage credit exposure and capital (regulatory or economic). CDOs involve the transfer of credit risk within large, well-diversified pools of corporate loans and bonds, asset-backed securities and sovereign bonds and loans to special purpose vehicles (SPVs), which in turn issue bonds – the CDOs – that are broadly distributed. Structured properly, CDOs can be of great benefit to the economy as they are an extremely efficient method of distributing risk across the financial system.

Like securitizations of mortgages, auto loans, credit cards, trade receivables and other financial assets, the credit risk associated with a CDO is tranched into several "risk" layers, with investors buying into each of the different levels based on differing appetites for credit risk, liquidity risk and duration risk and, as a consequence, accepting different corresponding levels of return.

CDOs can include both cash assets (bonds or loans) and/or synthetic assets (credit default swaps). Synthetic CDOs are mainly used to transfer credit risk (as is the case in funded CDOs) and/or for arbitrage purposes. They do not own cash assets like bonds or loans. Instead, synthetic CDOs gain credit exposure to a portfolio of fixed-income assets without owning those assets through the use of credit default swaps, a derivatives instrument.

(Under such a swap, the CDO receives periodic premiums in exchange for assuming the risk of loss on an asset.) Synthetic CDOs have the advantage of allowing for the transfer of credit risk without requiring a transfer of ownership of the underlying assets.

MBIA's overall business strategy is to participate in the most senior layer of the CDO capital structure, whether the CDO is funded or synthetic, while creating a balanced book of business across multiple underlying asset classes including investment-grade corporates, high yield loans, asset-backed securities, RMBS, commercial mortgage-backed securities (CMBS) and emerging markets debt.

Post 1999, MBIA has focused on insuring 1) funded CDOs having, at minimum, Double-A shadow ratings by both Moody's and S&P (although almost all funded CDOs the Company has insured in the last five years have been, at minimum, rated Triple-A) and 2) synthetic CDOs at the "Super Triple-A" credit support levels by virtue of a rated Triple-A tranche subordinate to MBIA, or by virtue of a credit support level that is a multiple (most often 1.5 to 2.5 times) of the Triple-A requirement imposed by the rating agencies.

Additionally, MBIA is an active participant in the multi-sector CDO market, which are CDOs backed by diversified asset-backed securities (ABS) collateral pools that could include: RMBS-including subprime, CMBS, consumer (credit cards, autos, manufactured housing, student loans) corporate bonds and loans, as well as other CDOs.

MBIA, along with most market participants, segments this sector into two categories of deals: "High Grade" and "Mezzanine," reflecting the credit ratings and seniority of the underlying structured finance bonds supporting the CDO. High Grade refers to transactions in which the underlying collateral credit ratings on a standalone basis are, with few exceptions, Single-A or higher, and Mezzanine refers to transactions in which the underlying collateral credit ratings on a standalone basis are below Single-A (generally Triple-B).

Beginning in 2004, MBIA elected to insure mezzanine CDOs on a more selective basis due to concerns regarding structural provisions as well as concerns over the underlying collateral and weak pricing. MBIA has been a much more active player in High Grade deals, which are characterized by much stronger collateral, better structural provisions, and more attractive risk-adjusted pricing. Typically, the Company guarantees multi-sector CDOs transacted at

the "Super Triple-A" credit support level, which means that there are tranches of debt that are rated Triple-A below the MBIA-insured tranche.

Whether provided by an insurance policy or by a credit default swap, MBIA's guarantee is not subject to an acceleration of full payment.

In terms of exposure and potential losses, the CDO sector of most concern is the multi-sector CDOs. Multi-sector CDOs are deals that consist of a diverse array of structured finance asset classes, vintages, issuers and servicers in the collateral pool. The collateral backing MBIA's multi-sector CDOs consists of ABS, which are securitizations of auto receivables, credit cards, commercial mortgage tax securities, other CDOs and various types of RMBS including prime and subprime RMBS. However, because the RMBS asset class was a dominant share of the ABS market, these deals contain a large proportion of RMBS collateral, much of which is subprime RMBS.

MBIA's multi-sector CDO book performed as expected through September 2007, but the U.S. residential mortgage market downturn began to directly impact the multi-sector book in the fall of 2007 as the rating agencies downgraded thousands of investment-grade RMBS deals due to deteriorating performance. To date, the majority of MBIA-wrapped multi-sector CDOs and the underlying collateral remain investment-grade-rated. But further deterioration is anticipated based upon projected U.S. housing mortgage trends in 2008. MBIA will continue to monitor and reevaluate the collateral, mindful that additional rating agency downgrades may be ahead.

MBIA's CDOs of CDOs, or CDO^2, are diversified transactions generally anchored by CLOs, which are collateralized loan obligations consisting of investment-grade corporate debt. CDO^2 transactions are a sub-category of multi-sector CDOs. They often contain other collateral, including subprime RMBS, and may include highly rated tranches of CDOs of asset-backed collateral. As of December 2007, there has not been any material rating agency action in this portfolio segment. However, MBIA's own analysis has determined that three deals it insured within this segment will result in permanent losses totaling $200 million.

Development Of Housing Crisis

For several years prior to 2007, the credit markets benefited from a benign loss environment, allowing for greater issuance of ABS and corresponding tighter spreads and pricing. This environment fostered an erosion in underwriting standards by mortgage originators, and less effective security structures and covenant packages across the fixed-income market.

As 2006 came to a close, some signs of stress began to emerge in the subprime mortgage market. This stress accelerated into crisis as 2007 progressed, due to a spike in losses and loss expectations on securities backed by subprime mortgages and the disappearance of liquidity for structured products, including asset-backed commercial paper, and ABS, both of which helped finance the housing boom.

Single-Asset Crisis

Notably, recent issues are attributable to one sector, or asset class, RMBS, rather than being a systemic or multi-asset-class problem. The rapid deterioration of underlying residential mortgage performance and its impact on these securities in the second half of 2007 surprised MBIA as much as it surprised most other market participants. Unfortunately, the Company's underwriting process and procedures did not anticipate the problem or insulate it from the magnitude of losses projected today. While it is conceivable that a slowing economy and a tapped out consumer will lead to some additional stress in other asset classes, given the unique set of circumstances that gave rise to the housing crisis, the Company believes it is unlikely that problems would rise to anywhere near what is being seen in the mortgage sector.

Today MBIA and most other analysts are projecting losses on mortgage collateral that have not been seen since the Great Depression. Note that these are projected losses, not actual losses. Actual cumulative loss rates on subprime securities in December 2007 were 1.4 percent as reported by Standard & Poor's. The projections of eventual losses are now on the order of 20 percent. While the magnitude of projected losses is significant, it does not suggest an overall breakdown in management or controls in the monoline industry or any

failure on the part of the regulators, or even the rating agencies. The magnitude and speed of this housing crisis surprised almost everyone in the market.

Because MBIA's insured exposure sits at the very top of the capital structure in this industry sector (at the Triple-A or Super Triple-A level), as it does in the other sectors, the Company should not experience the loss levels that will be sustained by other players – including banks – who are further down the capital tower.

Financial Impact of Housing Crisis on MBIA

The financial impact on MBIA of the current crisis in the mortgage and housing markets has been substantial, particularly in light of the extremely low level of losses the Company had experienced over the first 33 years of its history. Until the fourth quarter of 2007, MBIA had experienced only 0.04 percent losses on over 93,000 issues insured since inception. In dollar terms, that means on over $2.3 trillion in debt service insured over 33 years, MBIA's losses amounted to just $916 million. Including fourth quarter 2007 losses, MBIA's losses now amount to just 0.07 percent debt service insured.

For the fourth quarter of 2007, the Company announced increases to loss reserves totaling $814 million. Of this amount, $614 million represents losses that the Company has specifically identified in its insured portfolio, while the additional $200 million represents losses that are expected, but have not yet been attributed to specific transactions. Virtually all of these losses were associated with MBIA's exposure to securitizations of prime second lien products.

In addition, MBIA recorded a $3.4 billion mark-to-market loss in connection with its insured credit derivatives portfolio in the fourth quarter of 2007. Of that amount, approximately $3.2 billion of this mark-to-market loss reflects "book" losses required to be recorded under GAAP accounting rules and the Company believes will reverse over time absent further credit impairment. The remaining $200 million represents a permanent impairment in value. The majority of the mark-to-market loss was associated with changes in the fair value of MBIA's insured credit derivatives portfolio, particularly structured finance transactions backed by commercial mortgage backed and residential mortgage backed securities.

Mark-to-Market Losses

Mark-to-market losses as they pertain to bond insurers deserve some additional explanation. Accounting rules, specifically FAS 133, require that changes in the fair value of all derivative exposures be marked-to-market on MBIA's income statement. The mark essentially reflects the profit or loss that would accrue to the holder if the portfolio were sold or unwound at a particular point in time. As such, the concept is perhaps most applicable to portfolios that can be actively traded over time. In the case of the credit derivatives insured by MBIA, like all of its financial guarantees, the Company's obligation runs to the maturity of the instrument and there is no ability or need for MBIA to terminate or sell its obligation early. However, as FAS 133 has no provision for hold-to-maturity portfolios such as the credit derivative exposures that MBIA has insured, the Company must mark these positions to market price each quarter with the expectation that the mark will, in most cases, reverse over time.

The only instances in which the mark would not reverse would be those where a permanent loss is expected, as was the case for $200 million of MBIA's total $3.7 billion mark in the third and fourth quarters of 2007. Most of the companies in the financial guarantee industry have had a similar experience in 2007. While this is analogous to the mark-to-market losses taken by the banks and investment banks, the impact on MBIA is far different. Under no circumstances can the Company be required to pay off these contracts at those prices. Bond insurers cannot trade their positions, and do not guarantee market value. MBIA's insurance policies remain on its books until the bonds mature, and it makes payments only if there are actual defaults on the bonds. This is a case where the accounting requirements do not follow the economics of the business. As a result, credit analysts, including the rating agencies, tend to focus on analysis of the potential for <u>actual</u> losses, not these accounting losses, to assess MBIA's capital adequacy. In fairness, changes in fair values can be indicators of underlying credit performance, but they are by no means dispositive.

Since the mark on MBIA's insured credit derivatives is highly sensitive to changes in market spreads, it can introduce significant short-term volatility into MBIA's reported results even when no ultimate losses are expected.

Liquidity

It is important to note that MBIA's obligation to pay claims on an insured issue is almost exclusively on an "as due" basis. Essentially this means that upon a default of an insured issue MBIA will pay principal and interest to the holder according the original schedule. Thus in the case of a 30-year bond, MBIA would be obligated to pay the principal and interest over the full 30-year life of the bond, and would not be required to pay off the full outstanding balance at the time it defaults. This is an important feature in all of MBIA's insured exposures. It is designed to minimize liquidity exposure and prevent a "run on the bank".

An insurer's exposure under an insurance policy or a credit default swap is virtually identical. Under either form there are no requirements to post collateral, nor any requirements or rights to accelerate payment against MBIA.

The permanent losses estimated by MBIA, and reflected in its financial estimates, are equal to the present value of the expected future claim payments over the life of the bond issue. Consequently, MBIA recorded significant losses in the fourth quarter of 2007, only a small fraction of that ($44 million, net of reinsurance) was actually paid out to date. The remainder will be paid out over the next few years as the underlying transactions continue to pay down.

Role of the Rating Agencies

MBIA carries Triple-A ratings from each of the three major U.S. and one international rating agencies: Standard & Poor's (S&P), Moody's Investors Service and Fitch Ratings, as well as Rating and Investment Information, Inc. The Triple-A ratings are, in the opinion of MBIA's management, important to its business model, and the Company believes that investors who purchase insured bonds are primarily interested in obtaining the highest rating possible – the Triple-A.

Although the specifics behind how each rating agency determines the standard that must be met in order to secure and maintain its respective Triple-A rating differ from agency to agency, there are, not surprisingly, several dominant themes common to all of them. First and foremost is capitalization. As the Triple-A implies that a company has the ability to meet all of its obligations as they come due even under extremely unlikely and stressful

circumstances, the agencies are quite rightly focused on ensuring that each bond insurer has a level of claims paying resources consistent with its Triple-A.

Capital Sufficient to Support Extreme Stress

It is important to note that when the rating agencies are determining the appropriate level of capitalization for a bond insurer, they do so in the context of the monolines' ability to meet extremely stressful theoretical loss scenarios, and not simply its ability to meet an expected level of losses. Therefore, a Triple-A insurer must hold capital in an amount equal to a substantial multiple of the losses that could reasonably be expected to occur, even in the stressful environment that the industry is now experiencing in the mortgage and housing sectors. For this reason, MBIA has raised $2.65 billion in new capital and preserved $500 million within eight weeks. Today, MBIA has $17 billion in claims paying resources. This capital raising effort has been unprecedented and is so far unmatched by any other financial guarantee insurers. The Company continues to explore ways to expand its capitalization and manage its risk exposure.

During the Company's capital raise, its financial reports, risk reports, and portfolio details were reviewed in great depth by highly sophisticated investors such as Warburg Pincus, who analyzed the portfolio at the loan-level, and, after doing so, agreed to invest up to $1 billion. The underwriters of MBIA's debt and equity securities also performed extensive "due diligence" before committing. That is, these independent parties got sufficiently comfortable with MBIA's exposure to the mortgage markets to invest billions of dollars into the Company. Through this process, MBIA has provided greater transparency into the details of its insured exposures, both publicly and privately, than ever before.

Given the rating agencies' Triple-A requirements, the bond insurers have constructed very low risk insured portfolios, with virtually all transactions rated in the investment-grade range, even without the benefit of insurance. Only a very small portion of the total portfolio is rated below investment grade, and virtually all of that represents situations where the credits were investment grade at inception but the credit deteriorated somewhat after closing. In MBIA's case, approximately 82 percent of the insured portfolio was rated Single-A or better as of year-end 2007, and only 1.4 percent was rated below investment grade on an S&P priority basis. (MBIA's below investment grade net par exposure includes $10.6 billion of home

equity lines of credit and closed-end second RMBS and multi-sector CDOs of high grade CDOs, which were not rated below investment grade as of December 31, 2007.)

While strong capitalization represents a threshold standard for the Triple-A rating, it is by no means the only standard. The rating agencies also give substantial consideration to the qualifications and experience of a monoline's management team, the quality and track record of a company's underwriting, the reasonableness of the business plan, the sustainability of the business model over the long-term and other qualitative and quantitative factors.

Recent Events

In response to growing stress in the mortgage and housing markets, the rating agencies have spent substantial time over the past six-to-nine months analyzing the performance of transactions directly or indirectly backed by prime, non-prime and subprime mortgages. Their analysis has focused, in particular, on securitizations of prime and subprime first and second mortgages, prime HELOCs and CDOs backed by ABS that are exposed to these mortgage products. As the crisis in the mortgage and housing sectors continues to unfold, the rating agencies have, on several occasions, upwardly revised their projections of the amount of losses that mortgage market investors can expect to experience. For the bond insurers in general, and MBIA in particular, this has resulted in a gradual escalation in rating agency concern regarding the adequacy of bond insurer capitalization over the same period of time.

All three major rating agencies undertook extensive analyses of bond insurer capital adequacy in the fourth quarter of 2007, and they continue to revise their analyses on an almost weekly basis. In MBIA's case, this frequent reevaluation resulted in the agencies first affirming MBIA's Triple-A ratings in December but changing the outlook to negative, then placing its Triple-A ratings on review for possible downgrade in January and early.

MBIA's Capital Raising Activities

As losses in the mortgage market continued to increase in the third and fourth quarters of 2007 and increasing stress was observed in the transactions insured by MBIA, the Company responded along two fronts: 1) MBIA's Insured Portfolio Management Division, which is

responsible for monitoring MBIA's portfolio of insured credits, stepped up its efforts to identify problem credits, quantify potential losses to MBIA and develop remedial strategies to reduce or eliminate potential future policy claims; and 2) management proactively began the process of raising additional capital to support the Triple-A ratings that are critical to its franchise and of great importance to investors.

To date, MBIA has raised approximately $2.65 billion in incremental capital consisting of:

- a $500 million common stock investment by Warburg Pincus;
- a $1 billion surplus note offering; and
- a $1.15 billion common stock offering

In addition to the $2.65 billion in capital outlined above, the Company preserved an additional $500 million through a reduction in the common stock dividend, additional reinsurance on the insured portfolio and a reduction in new business activity to allow for the natural expiration of policy obligations over time, which frees up capital currently deployed in support of the existing portfolio of business.

The Company's prompt and proactive measures to secure external capital for the benefit of policyholders were critical to the ultimate success in doing so. Others in the industry who may have started the process later have found the market increasingly less receptive and more expensive as mortgage market stress has continued to rise.

Activist Activity: Coincidence or Calculated?

As has been widely reported in the media, certain parties such as Mr. William Ackman of the hedge fund Pershing Square Capital Management LP, also known as "activist short sellers" stand to realize significant financial gains from declines in MBIA's stock price and/or increases in the price of credit default swaps they hold that are connected to MBIA. Ultimately, their goal would be to see MBIA become insolvent, which would maximize their profits by driving the stock price to near zero and triggering payments on the credit default swaps they executed.

To achieve this end, these self-interested parties have gone to substantial effort to undermine the market confidence that is critical to MBIA's business. Their efforts have

included raising questions about MBIA's capitalization, the losses it will likely sustain, its liquidity position, the legality of its operations and the viability of its business model. They have published attacks on MBIA containing material misstatements of fact, used the media to create "noise" around MBIA's solvency and ratings, written letters to regulators and rating agencies seeking action against MBIA, and held meetings with investors with the intent, the Company believes, to dissuade them from purchasing MBIA's debt or equity. They may also have extensively lobbied this committee. MBIA notes that Mr. William Ackman is appearing at the hearing on February 14th as an "industry expert." Mr. Ackman is in fact not involved in the industry in any capacity except that of a short-seller, and accordingly, MBIA questions the characterization of Mr. Ackman's expertise.

While some estimates of MBIA's ultimate losses have been reported in the media as exceeding $10 billion, in reality these estimates are provided to the media by short-sellers and others who are not familiar with the actual deals and do not have the information necessary to estimate losses with any degree of accuracy (they do not have access to the terms and conditions of those deals, such as cash flow diversion triggers, etc.). Instead, they have taken market estimates of the industry, or of a particular financial institution's experience, and applied it to bond insurers' portfolios to derive a loss estimate.

For example, Mr. Ackman developed potential loss estimates through what he refers to as the "Open Source Model." This model uses loss estimates that are a multiple of those estimated by MBIA, the rating agencies and other objective analysts. Mr. Ackman stated that his model is meant to provide greater transparency to the market, when in fact the model is a black box driven by undisclosed loss assumptions derived from the proprietary trading desk of an anonymous "Global Bank." The extreme assumptions in the model produced Mr. Ackman's desired effect of sensational headline loss numbers for the firms evaluated. Mr. Ackman states that the model is a detailed collateral analysis, while it actually uses averages and simplified macro-loss assumptions about certain product types and vintages. This stands in stark contrast to MBIA's approach, which has been a detailed loan-level modeling exercise that more accurately looks at the characteristics of each individual piece of RMBS collateral and the individual loans backing it. Mr. Ackman's model is purported to be a more accurate representation of the risks, but in fact it does not factor in the actual deal structures for any of the ABS CDO, HELOC or CES exposures.

Similarly, a small, upstart rating agency with no information about the deals MBIA insures has been providing commentary to the media that suggests MBIA faces losses in excess of $10 billion. In fact, in a recent online column, an investor reported that he learned in a conversation with a principal from this rating agency that the principal's projections were essentially a "back of the envelope" calculation, with little applicability to MBIA's portfolio.

As MBIA has taken steps over the past two months to raise additional capital for the benefit of policyholders, these same self-interested parties have stepped up their attacks at critical points in each part of the process, with the apparent goal of increasing the cost of capital to MBIA or worse, making it completely unavailable. An attached timeline outlines the activities of Mr. Ackman and others in the short seller community, and demonstrates how their actions were carefully timed to coincide with individual elements of MBIA's capital raising program.

While he has not succeeded to date, there is no question that he has made the capital raising process considerably more difficult and expensive to the detriment of our legitimate investors and policyholders.

Lessons Learned

MBIA's strategies in writing RMBS and CDO business appeared sound at the time, because the Company attached at the highest levels of the capital structure. In retrospect, the Company missed some of the warning signs and is now paying the price, both through expected claims on its policies and through a loss of confidence in the value of its product, the financial guarantee. As an organization, MBIA is responding to the lessons learned from this crisis, as is the whole market, by reviewing its underwriting standards and due diligence processes, by examining for appropriateness the products it underwrites, and by examining how the Company manages its capital so that it is poised to ride out such a credit crisis should it ever happen again.

As the Company examines what it could have done differently, it has thus far arrived at three important lessons learned:

- Investment grade, historically sound loan originators/servicers are as likely as newer, start-up companies to succumb to market pressures to modify loan origination

practices. MBIA's practice was to work with large, investment-grade servicers with historically strong origination and loan performance attributes. Unfortunately in the heat of the recent market, even some of these servicers relaxed their standards.

- Bond insurers guarantee payment of timely interest and contracted principal. They do not post collateral upon downgrade, and their guarantees and premium streams typically are not subject to changes in the insurers' ratings. This has proven to be a key factor in the current crisis as the monolines have not had material liquidity calls on their guarantees. These provisions are essential features of the financial guarantee industry that, for exactly the reasons evidenced today, must be retained for market stability.

- Bond insurers must avoid large concentrations of risk, whether it is risk connected to a single issuer, a single servicer or asset manager, a single asset class, or to a single vintage of collateral.

Where MBIA Is Today

With the most significant parts of MBIA's capital raising plan complete and the remaining components well underway, the Company is currently awaiting feedback from the rating agencies on their respective reviews. The Company expects this process will be largely complete within the next four weeks. Although MBIA believes it has more than sufficiently addressed the capital necessary to support its Triple-A ratings, the standard has been somewhat of a moving target.

There have been numerous media reports of various so-called "bailout" plans for the bond insurers, including some debate about the possibility of a Federal bailout. First, the notion of a "bail out" of highly credit-worthy companies who, at most, are at risk of losing the very highest ratings available, is misplaced. For this reason MBIA does not see the need for a Federal bailout of the financial guarantee industry. The Company believes that MBIA is more than adequately capitalized to meet obligations to policyholders.

Similarly, MBIA does not believe there is a need for Federal oversight of the industry as a result of the current housing and mortgage market dislocation. The Company is confident

that the rigorous oversight it has always been subject to from state regulators and the rating agencies will continue to be more than adequate going forward.

Conclusion

Looking forward, the Company sees more demand than ever for its financial guarantee product, both in the municipal and infrastructure part of the business, and in the structured finance market. The American Society of Civil Engineers has estimated that the U.S. needs to spend $1.6 trillion on infrastructure in the next five years, while the Urban Institute projects that maintenance of surface transportation alone will require $185 billion over the same time period. The needs outside the United States are even larger.

On the structured side, today the American consumer is financed through the ABS market. From the consumer credit cards – to auto loans – to mortgages, the ABS market has been, for well over the last 15 years, the source of liquidity that promoted operating efficiency for banks and other loan originators, and lowered borrowing costs for consumers, the backbone of the nation's economy. The bond insurance product makes financing these enormous needs more cost efficient, and MBIA is working hard to ensure that there's a strong and viable industry here to facilitate.

MBIA has been a Triple-A company for 34 years, and it expects to remain so now and for the foreseeable future. Despite the unexpected and rapid deterioration in the performance of its prime second lien mortgage portfolio, the Company believes that its credit underwriting practices and risk management infrastructure will result in a high quality and well-diversified insurance portfolio over time. As always occurs during such credit cycle downturns, the Company has had opportunities to learn from its mistakes and improve the risk profile of its future portfolio.

MBIA has been working closely with its primary regulator, the New York State Department of Insurance, to review lessons learned, and to discuss new guidelines on acceptable products and portfolio guidelines. MBIA appreciates and commends Superintendent Dinallo for his efforts to date to ensure the stability of the financial guarantee industry's participants.

MBIA will continue to manage its business in a prudent manner, deal forthrightly with any problems that arise in its portfolio, discuss all issues and concerns openly with the rating agencies and regulators, and provide disclosure to the market in the hopes of enhancing the understanding of its business model and its industry. MBIA must continue to manage to a conservative capital position to maintain its Triple-A rating and the confidence of the marketplace. MBIA's Triple-A rating is its most important tool for delivering comfort and protection to policyholders and creditors, and returns to its shareholders. With a steady focus on these principles, the Company is well positioned to continue to be a leader in its industry.

Summary: MBIA and the Financial Guarantee Industry

Historical Context

- Bond insurers provide an essential service to capital markets
  - Enable non Triple-A issuers to broaden their investor universe and reduce their cost of borrowing by accessing Triple-A financing sources
  - Bond insurance enables the financing of municipal, infrastructure and structured financings, which in turn creates jobs

- Historically a highly stable, low loss sector focusing primarily on municipal issuance Until the fourth quarter of 2007, MBIA had experienced just 0.04% losses on over 93,000 insured issues since inception. In dollar terms, that means on over $2.3 trillion in debt service insured over 33 years, MBIA's losses amounted to just $917 million. With fourth quarter 2007 losses, MBIA's losses amount to just 0.07% of debt service insured.

- However, bond insurers made mistakes over the past decade in expanding and diversifying their portfolios into some areas of structured finance (ABS CDOs, Second Lien Mortgage Products) that have encountered unprecedented credit and liquidity stress
  - Structured finance today represents 35% of MBIA's policies outstanding (net par)
  - The asset classes of interest causing the stress in the market represent 10% of MBIA's policies outstanding (net par) or 30% of its structured finance business

Current Context

- Given deteriorating conditions in the U.S. mortgage sector, portions of bond insurers' structured portfolios have begun to perform worse than expected
  - While actual cash losses have been minimal to date, analysts expect losses to accelerate

- These deteriorating market conditions have punished the bond insurers considerably
  - MBIA's stock price is down over 70% in the past year
  - Bond insurers such as MBIA, who have perceived mortgage exposure, are having trouble accessing new municipal business

- Given current environment, rating agencies have increased their capital requirements for bond insurers dramatically
  - Most bond insurers have been told by the rating agencies to raise considerable sums of new capital to maintain their ratings
  - Not a question of solvency, but a question of Triple-A standards
    - Rating agencies require bond insurers to hold enough capital to satisfy the Triple-A rating stress assumptions plus a margin of safety of 25-30%, which is significantly greater than expected losses
    - MBIA has no material liquidity risk; insolvency is not an issue, purely a question of market confidence and capital sufficiency for the Triple-A ratings requirements

- In December 2007, the rating agencies (Moody's, S&P, Fitch) informed MBIA that it would need to raise as much as $2.0 billion (varies by rating agency) in additional claims-paying resources to maintain its Triple-A rating
  - To meet and exceed this guidance, MBIA raised $1.65 billion in common equity and $1 billion in debt (surplus notes)
  - However, shortly after MBIA raised most of this capital, the rating agencies have chosen to undertake further evaluations of the ratings requirements for the bond insurers
  - We've been told by market participants that the actions of the rating agencies have contributed to an erosion in confidence of the bond insurers and the debt markets

- Market fear has also been exacerbated by short sellers which have attacked the financial guarantee industry for purposes of personal profit
  - Have used half-truths and misleading information to destroy confidence in the bond insurers and rating agencies
  - Have contributed to the difficulties and expense for guarantors to raise capital to satisfy Triple-A ratings

<u>MBIA's Positioning</u>

- While losses are greater than anticipated in the RMBS and related CDO transactions, MBIA is well positioned in the current environment as the largest and highest capitalized company in the financial guarantee sector
  - Today, MBIA has over $17 billion in claims-paying resources, which satisfies the latest Triple-A ratings requirement from each rating agency. Given "pay as you go" nature of business model, MBIA has little liquidity and no insolvency risk. Losses are paid out over the life of a policy (up to 30 years or more), thereby minimizing cash outflows in any given year
  - Proactively raised over $2.5 billion in equity and debt over the past two months
    - Over $3 billion in new rating agency claims-paying resources (includes capital relief from expired insurance exposure)

- Not all bond insurers are in the same position
  - A number of its peers have not raised claims-paying resources in sufficient amounts to satisfy Triple-A ratings requirements and have been downgraded

- MBIA intends to maintain a leadership position in the industry and work to restore confidence in the industry
  - Already shown leadership by accessing meaningful new capital

- Access to public and private capital should remain the model for sourcing the industry capital needs
  - Industry-wide bailouts will increase moral hazard, potentially perpetuate problems in the industry and potentially undermine confidence in Triple-A ratings

- MBIA will continue to facilitate access to the capital markets for municipalities and other issuers of debt
  - Enhanced liquidity in the financial markets and infrastructure growth will increase job creation

How Can the Subcommittee on Capital Markets Help?

- Help restore confidence in the financial markets by supporting the capital raising efforts at the financial guarantors
  - While a relatively small industry, the failure of the bond insurers could have far reaching effects on the U.S. and global economies

- Work with industry leaders such as MBIA to help design the new industry paradigm
  - This is a highly necessary industry, but mistakes were made and there needs to be change
  - Not all market players should survive, but those that do should be given the unobstructed opportunity to right themselves and their industry

- Work with the SEC to curtail the unscrupulous and dangerous market manipulation activities of short sellers
  - The practice and dissemination of half-truths and misleading information propagated by self motivated parties should be investigated and curtailed

- Work with the rating agencies on stabilizing their actions
  - Instability of decision making by the rating agencies has damaged the market's confidence in the financial guarantors, thereby destabilizing the broader financial markets
  - The rating agencies' rating systems may need to be revamped; industry leaders such as MBIA should be engaged in working with the agencies to re-design their systems

Bond insurers enable debt issuers to access the capital markets more efficiently and less expensively; and also provide additional credit protection to investors of such debt issuances. The credit analysis and financial backing provided by the bond insurers are value-added propositions for the capital markets, especially in times of greater uncertainty regarding credit risk.

MBIA Overview

February 14, 2008

Safe Harbor Disclosure

This presentation and our remarks may contain forward-looking statements. Important factors such as general market conditions and the competitive environment could cause actual results to differ materially from those projected in these forward-looking statements. Risk factors are detailed in our 10K, which is available on our website, www.mbia.com. The company undertakes no obligation to revise or update any forward-looking statements to reflect changes in events or expectations.

MBIA is the Leading Financial Guarantee Insurance Company

- MBIA Insurance Corporation ("MBIA") is the world's leading "monoline" financial guarantee insurance company
- As a monoline, MBIA offers one insurance product: the financial guarantee, which is also referred to as credit enhancement or credit protection
- MBIA is rated Triple-A by Fitch, Moody's and Standard and Poor's
  - Claims-paying resources at 12/31/07 were $14.6 billion
- The securities we guarantee are rated Triple-A by Standard & Poor's, Moody's and Fitch
- MBIA Inc.
  - Parent company of MBIA Insurance Corp.
  - Holding company for MBIA Asset Management; a leading provider of investment management products and services with over $66 billion in assets under management
  - Publicly owned since July 1, 1987; ticker symbol: MBI
- MBIA has saved taxpayers an estimated $15 billion since inception

Financial Guarantee Insurance Companies are Long-Term Holders of Credit Risk

- Unconditional and irrevocable guarantee of interest and principal
  - If an issuer defaults, investors can count on receiving insured payments, no matter what
  - Guarantor's payment obligation cannot be accelerated against the guarantor
  - Financial guarantors are not required to post collateral even in the event of a downgrade
- Hold insured risk to maturity
- Obtain control and other rights for remediation of problem credits and loss mitigation
- Highly selective underwriting of investment grade risk
  - Guarantee only municipal, infrastructure and asset-backed securities
- Since inception the financial guarantors have saved municipalities over $40 billion in interest

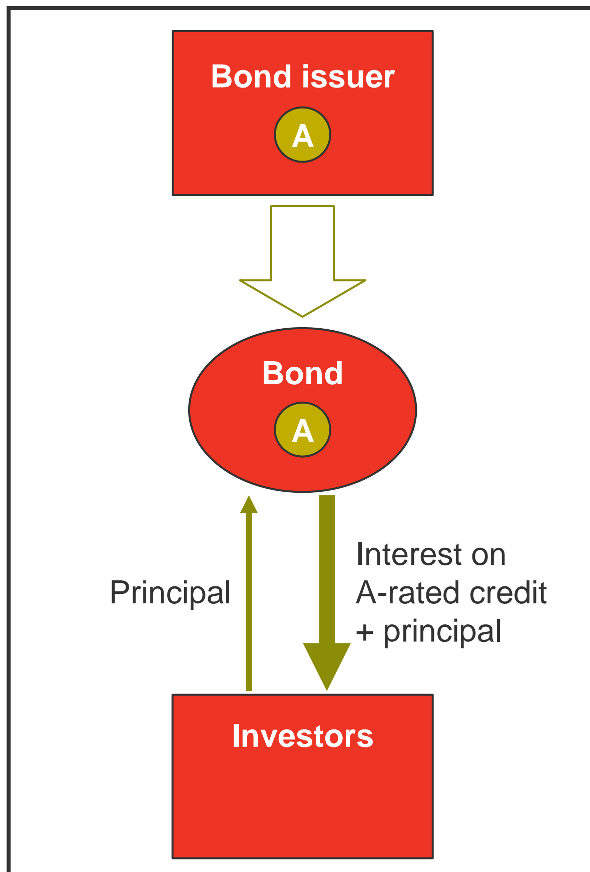
MBIA Provides Efficient Access to Capital Markets and Protection to Investors

- **Benefits to Issuers**
  - Easier and more cost-effective access to the capital markets
  - Access to a wider range of investors
  - Streamlined execution
- **Benefits to Investors**
  - Ensures timely payment of principal and interest
  - Protects against downgrade and credit losses on the underlying security
  - Provides surveillance and management of the underlying credit risk
  - Combination of underlying credit <u>and</u> MBIA's guarantee diversifies investment and increases capacity
    - Diversifies risk and increases investor capacity for issuer's bond
  - Decreases price volatility on the insured security

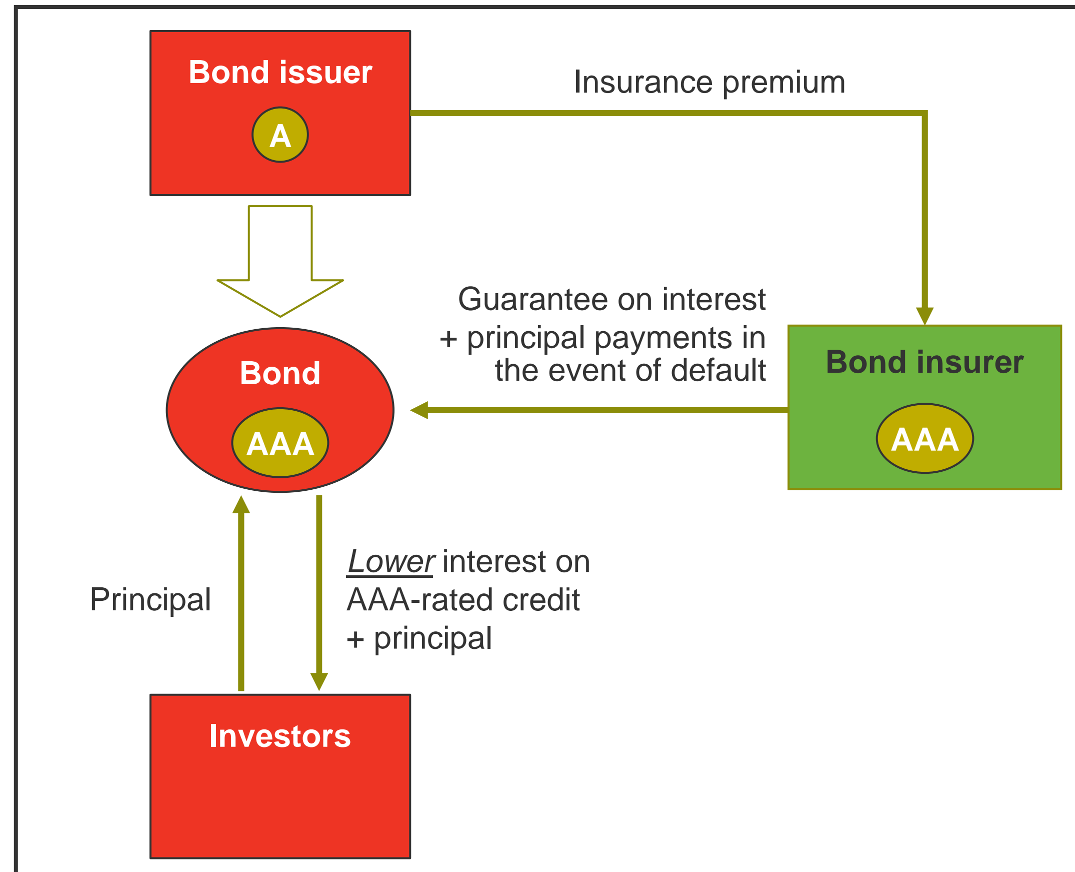
Bond Insurers guarantee bond payments to investors; cash outflows occur only in an event of default

A Credit rating

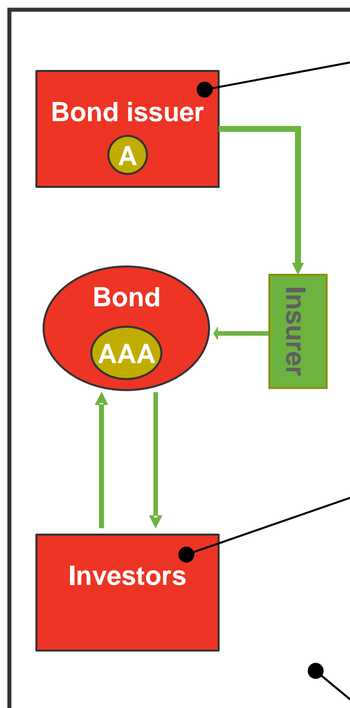
Uninsured bond issuance



Bond issuance with bond insurer



Bond Insurance creates value for the issuer, the investor and the market overall



Value creation for the issuer

- **Effective signaling device** – The guarantee efficiently reduces investor unfamiliarity with an issuer and uncertainty about its credit quality
- **Broader access to the investor universe** – Allows issuers of varying credit quality to meet the substantial demand for AAA paper

Value creation for investors

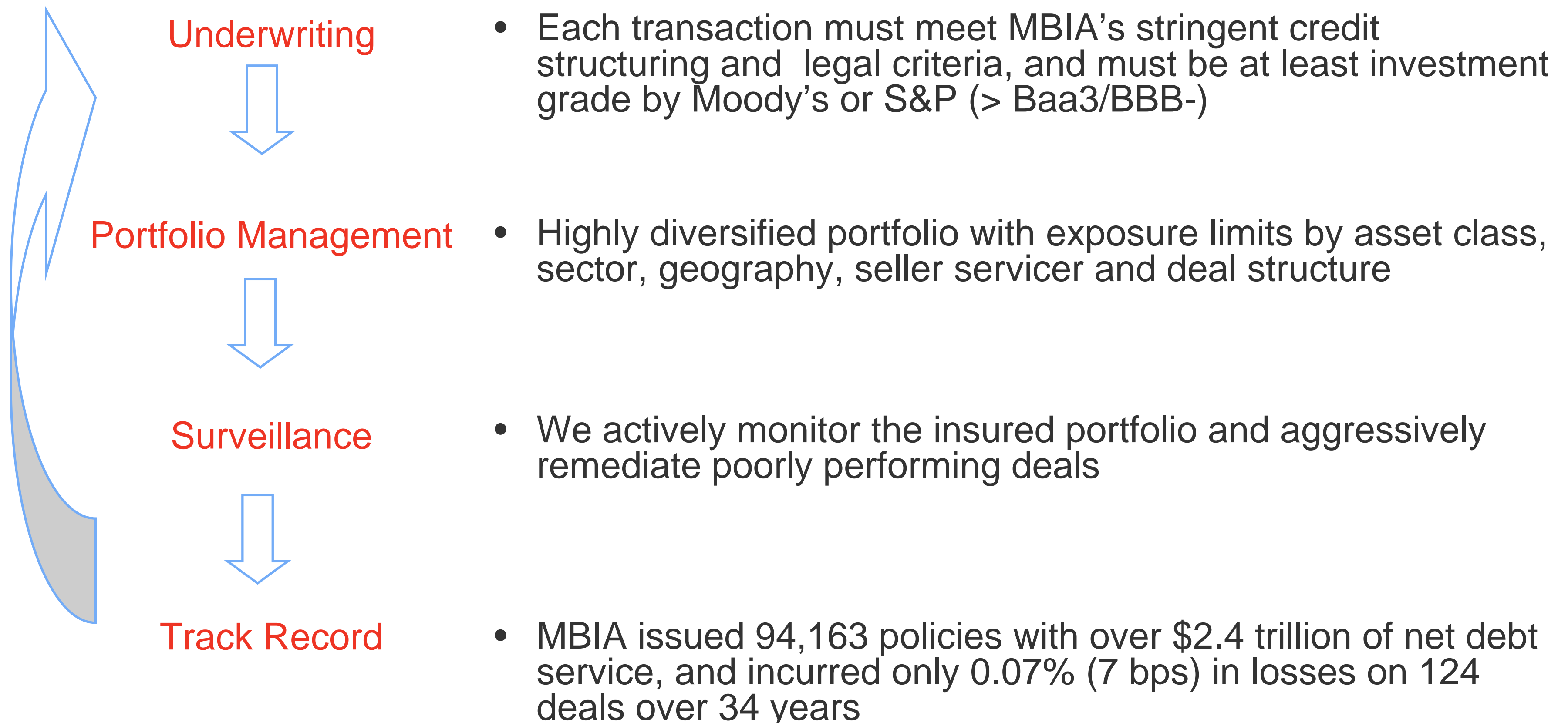
- **Increased flexibility of structured debt** – Insurance can be attached at various levels of subordination and can provide different levels of protection and diversification
- **A more complete market** – Insurance enlarges a limited supply of high credit quality securities
- **Efficient method of risk selection** – Insurers can utilize economies of scale that investors lack, performing credit evaluation and monitoring more efficiently than even large institutional investors (often, using information investors do not have)
- **Expert remediation** – Bond insurers' restructuring and reorganization expertise can provide additional sources of value in the event of issuer default

Value creation for "the market"

- **A more efficient market** – Facilitates the transition to a more efficient capital markets model from bank originate-to-hold models (e.g., real estate, auto loans, credit cards, structured credit, etc.)
- **Reduced cost of funding for municipalities** – Insurance reduces the borrowing cost for municipalities, with municipalities retaining a larger portion of funds raised.

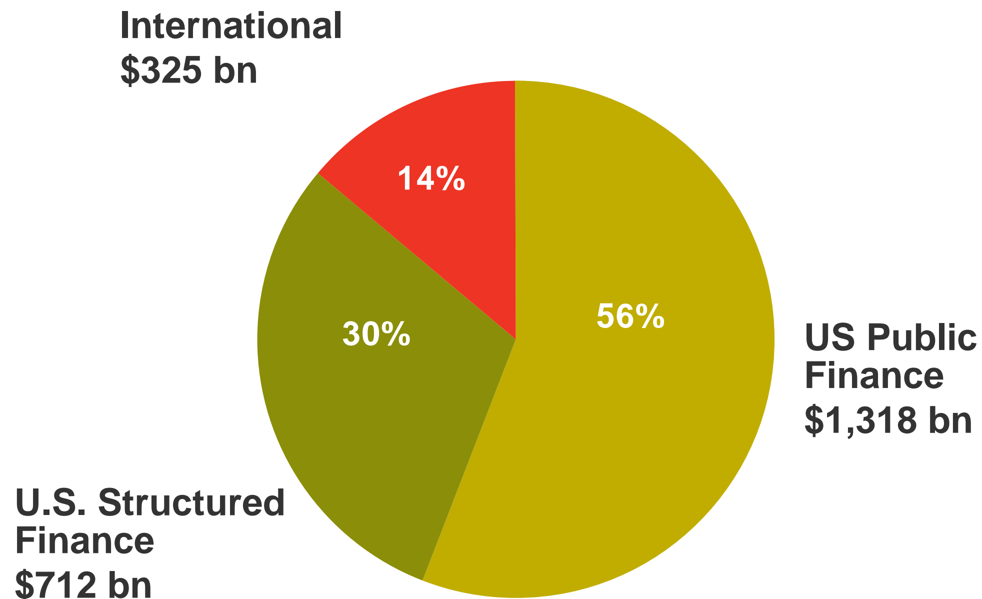
Conservative Underwriting – MBIA's "Trademark"

No-Loss underwriting standard; anticipates no losses under a worst probable case scenario



Public Finance is still more than half the market despite growth in Structured & International Finance

Insured net par outstanding by bond type AFGI*, Q3 2007 ($2,355 bn total)



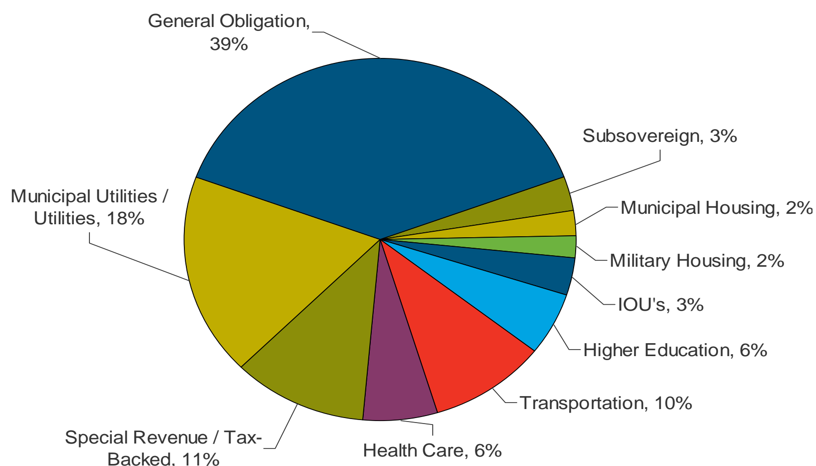
- **Public finance** includes insurance written on bonds issued by states, municipalities and other tax-exempt entities
  - Industry net par outstanding has grown from $806 bn in 2001 to $1,318 bn today (9% CAGR)
  - Par outstanding roughly composed of 1/3 general obligation bonds and 2/3 bonds supported by specific revenue streams (e.g. tax-backed revenue, utility revenue, toll and transportation revenue)
- **Structured finance** includes insurance written on bonds that are tied to the performance of a specified pool of assets (e.g. mortgages, consumer loans, bonds) and on other credit derivatives
  - Industry net par outstanding has grown from $386 bn in 2001 to $712 bn today (12% CAGR)

* Association of Financial Guaranty Insurers, estimated based on 12/06 actuals.

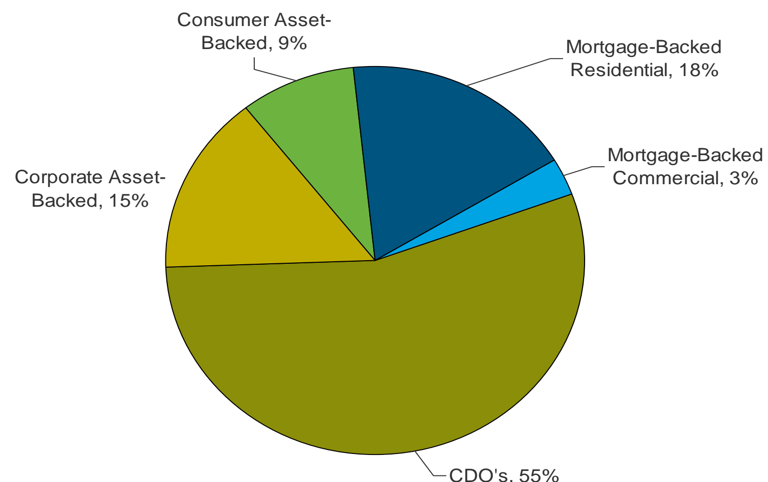
Highly Diverse Insured Portfolio

As of December 31, 2007

$440.9 billion Public Finance
Insured Portfolio
Percent of Net Par Outstanding by Bond Type



$237.8 billion Structured Finance
Insured Portfolio
Percent of Net Par Outstanding by Bond Type

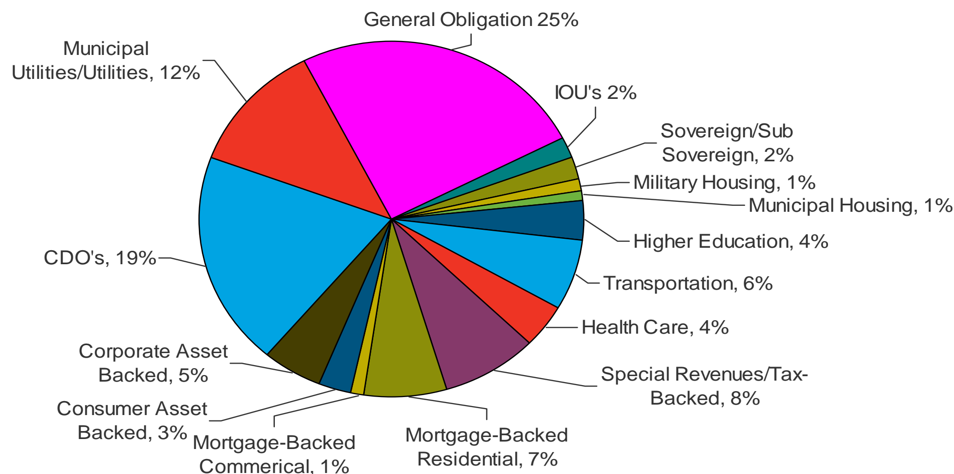


Total = $678.7 billion Net Par Outstanding (net of reinsurance)

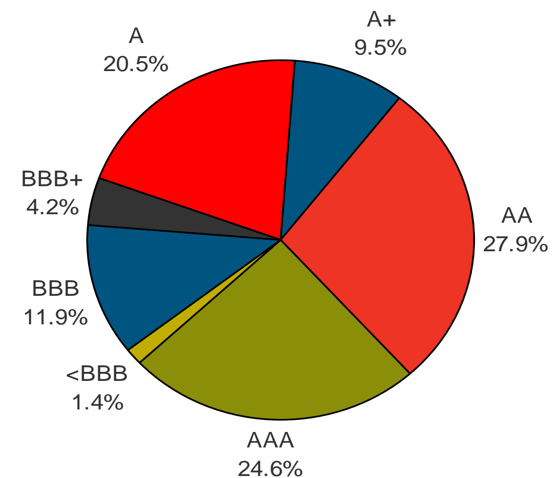
MBIA's Insured Portfolio is Diverse and of High Quality

As of December 31, 2007

Diverse Insured Portfolio
Percent of Net Par Outstanding by Bond Type
65% = Public Finance; 35% = Structured Finance



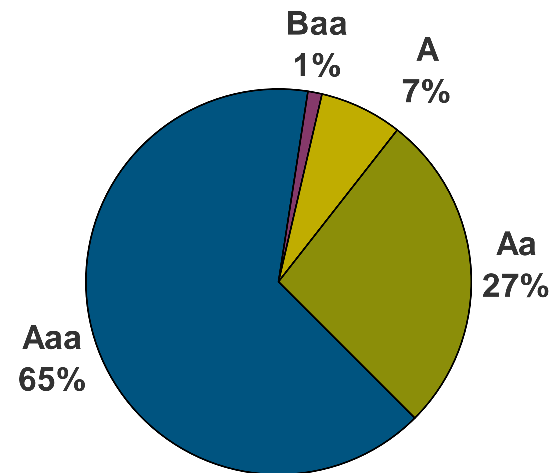
Credit Quality Distribution
MBIA's Net Par Outstanding
82.5% Rated A or Better



Total = $678.7 billion Net Par Outstanding (net of reinsurance)

Claims-Paying Resources Backed by High Quality Investment Portfolio

- $14.6 billion* of claims-paying resources of which $10.7 billion is in liquid investments as of December 31, 2007; balance in premiums due in installments and other facilities
- Weighted average Double-A quality
- Fixed-income securities
- Only investment grade bonds
- Limits by bond sector, issuer, maturity and state
- Effective duration 5.2 years
- Average maturity 9.3 years



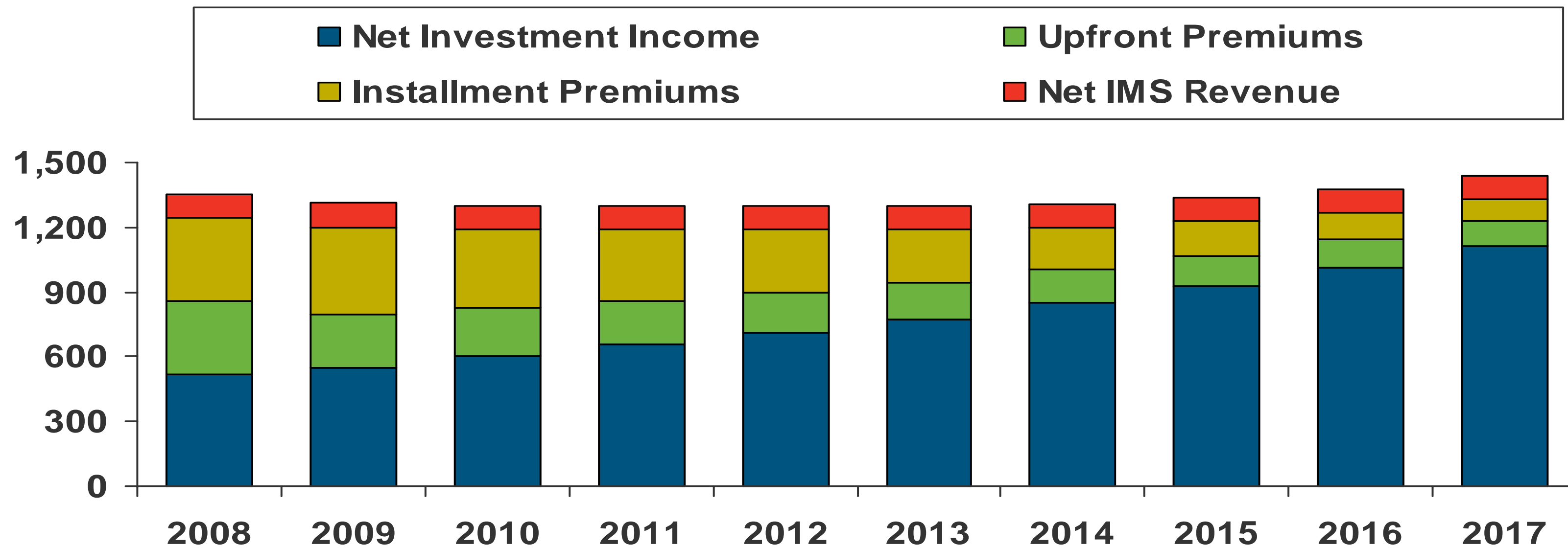
As of 12/31/07

**This does not include $1 billion in surplus notes issued on January 12, 2008; $500 million common stock sold to Warburg Pincus on January 30, 2008; and $1.15 billion common stock sold through a public offering on February 7, 2008.*

mbia

MBIA Inc. 10-Year Projected Insurance and IMS Revenues Assuming No New Business

$ Millions



Loss Performance Proves Underwriting Discipline and Remediation Success

Inception to December 31, 2007

Issues insured	**Over 94,000**
Debt Service Insured from Inception	**$ 2.4** Trillion
Aggregate Case Incurred Losses*	**$ 1.7** Billion
Case Loss Reserves	**$ 1.0** Billion
Estimated Salvage	**$126** Million
Net Paid Losses	**$829** Million

Losses Equal to 0.07% of Insured Debt Service Since Inception

*Aggregate Case Incurred Losses = Case Loss Reserves – Estimated Salvage + Net Paid Losses

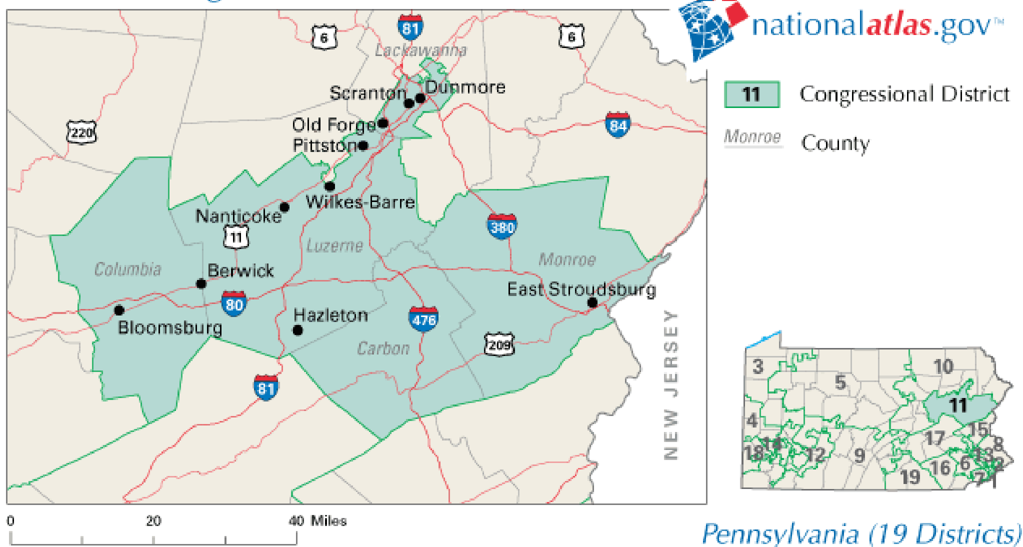
Conclusion
MBIA Is Well Positioned to Deal With the Current Credit Market

- MBIA provides efficient Access to Capital and Downside Protection to Investors
- Rated Triple-A by Fitch, Moody's and Standard & Poor’s
- Leading financial guarantee insurance company
- Conservative underwriting, capital management, and monitoring standards
- Excellent credit quality and diversification of insured portfolio
- Strong financial position
  - $14.6 billion in claims-paying resources
  - Raised $2.65 billion in equity and debt in 8 weeks, despite difficult market conditions
- Highly rated and liquid investment portfolio
- Experienced management team
- Proven track record through periods of economic stress

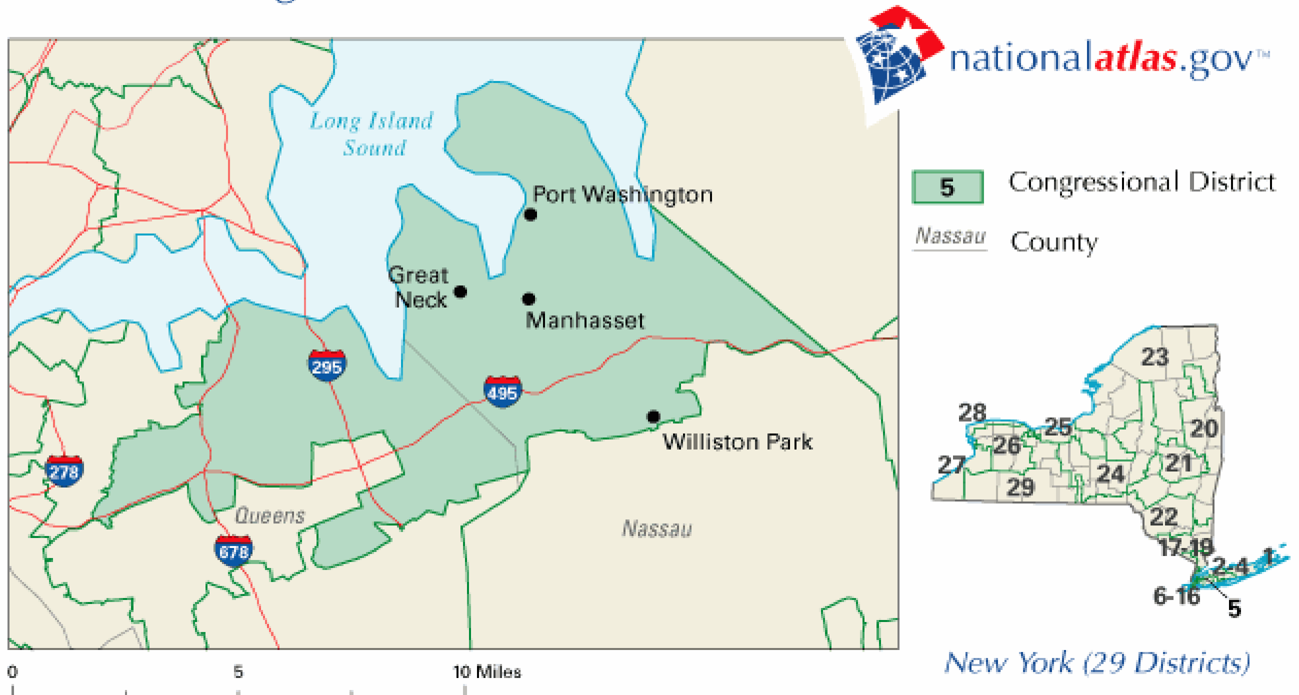
mbia
WISDOM IN ACTION sm

MBIA and House Subcommittee Districts

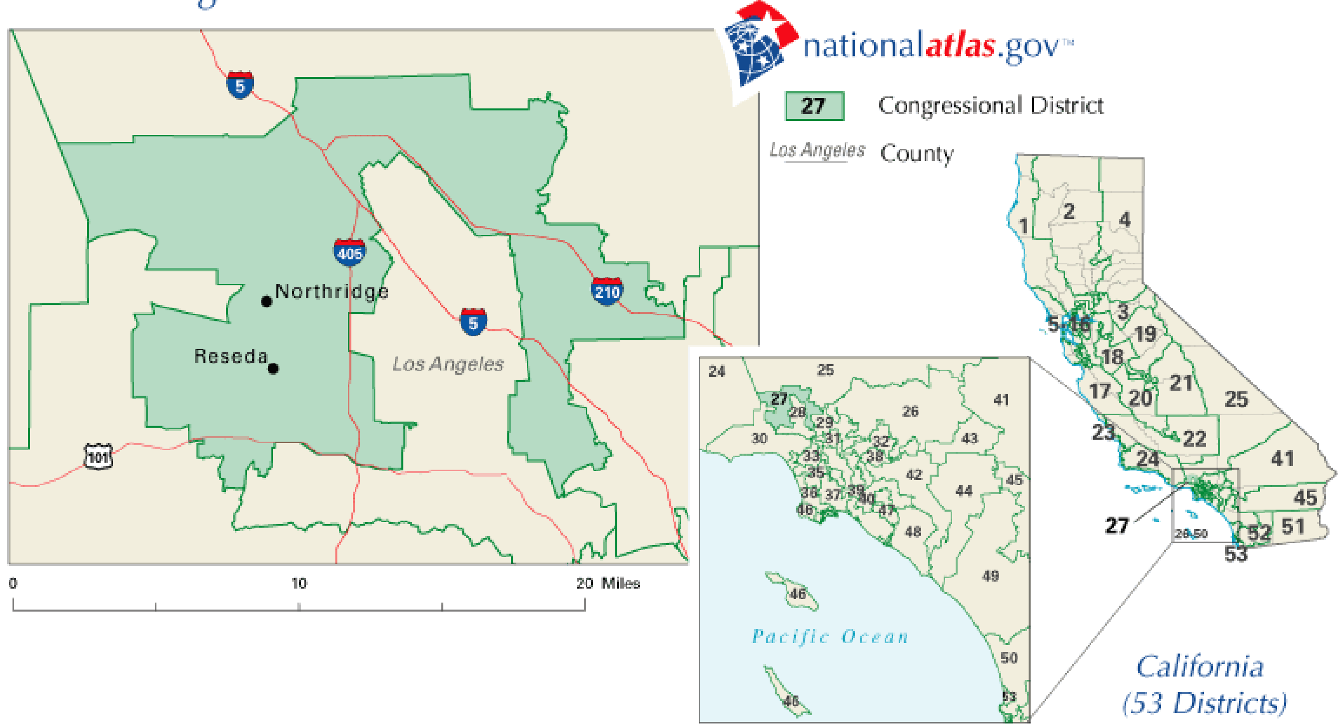
Paul Kanjorski, *Chairman*, Pennsylvania
MBIA insurance in PA District 11: **275 bond issues totaling $1.4 billion**



Gary L. Ackerman, New York
MBIA insurance in NY District 5: **480 bond issues totaling $9.1 billion**



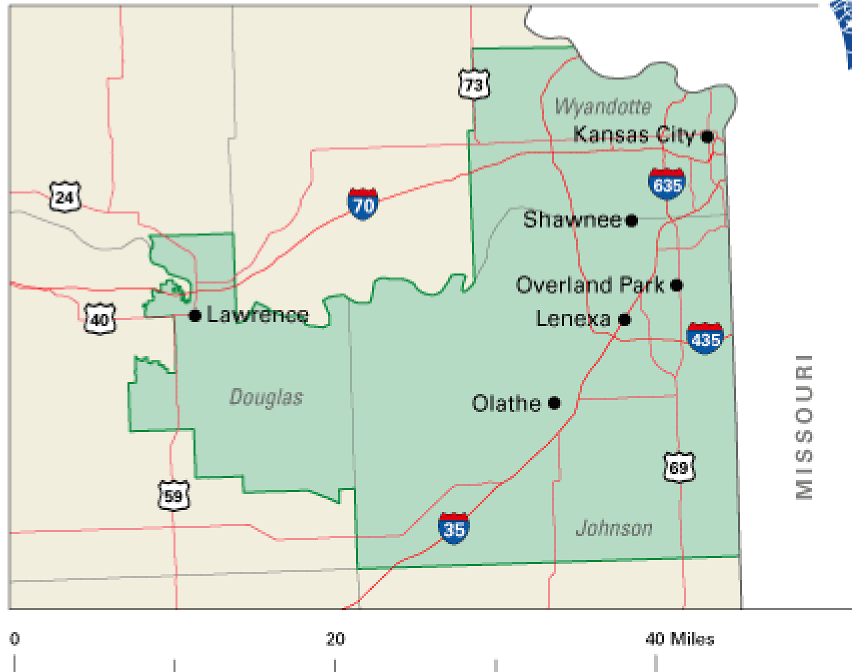
Brad Sherman, California
MBIA insurance in CA District 27: **2,153 bond issues totaling $36.2 billion**



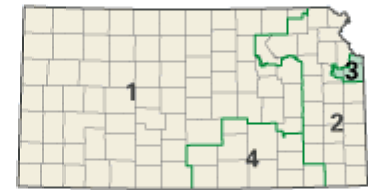
Gregory Meeks, New York
MBIA insurance in NY Districts 4, 6, & 12: **5,000 bond issues totaling $34.6 billion**

Dennis Moore, Kansas
MBIA insurance in KS District 3: **177 bond issues totaling $2.5 billion**

Congressional District 3



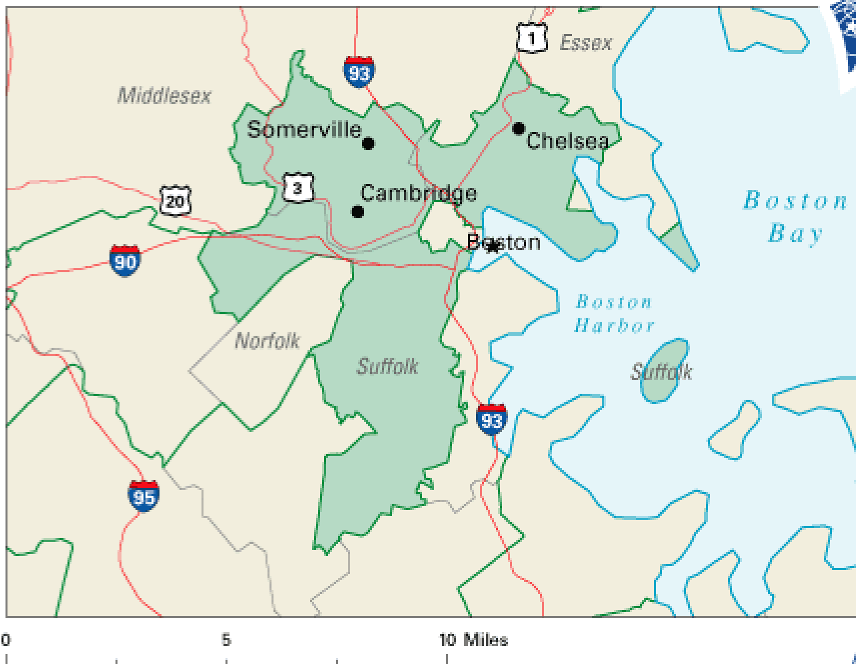
3 Congressional District
Johnson County



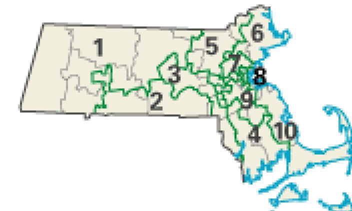
Kansas (4 Districts)

Michael Capuano, Massachusetts
MBIA insurance in MA District 8: **2,136 bond issues totaling $19.7 billion**

Congressional District 8

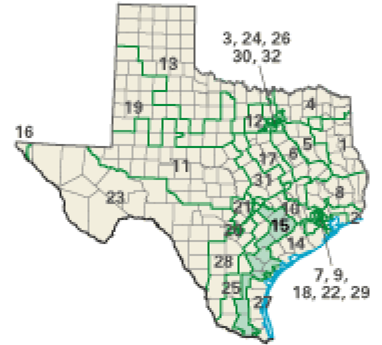


8 Congressional District
Suffolk County

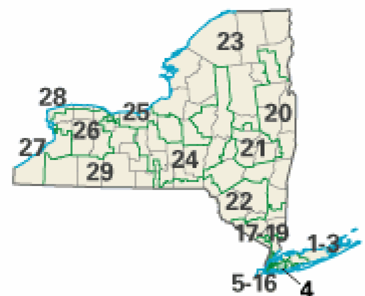


Massachusetts(10 Districts)

Rubén Hinojosa, Texas
MBIA insurance in TX District 15: **56 bond issues totaling $941.2 million**

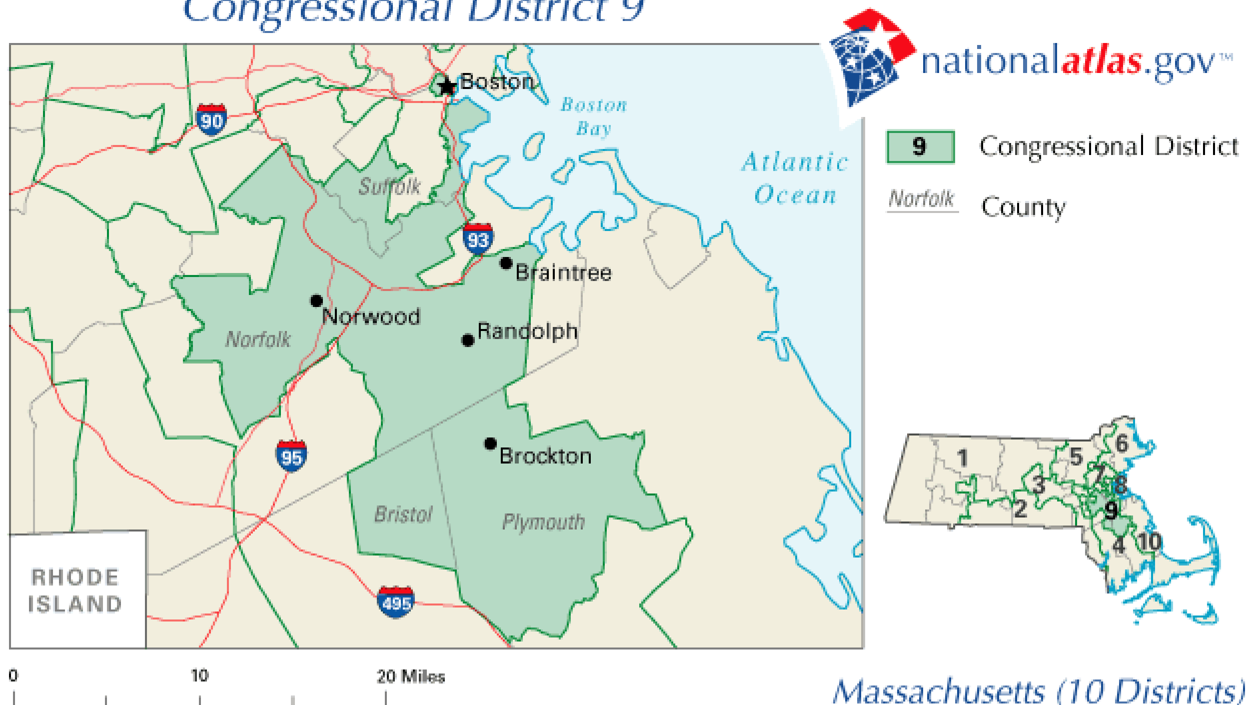


Carolyn McCarthy, New York
MBIA insurance in NY Districts 4, 6, & 12: **5,000 bond issues totaling $34.6 billion**

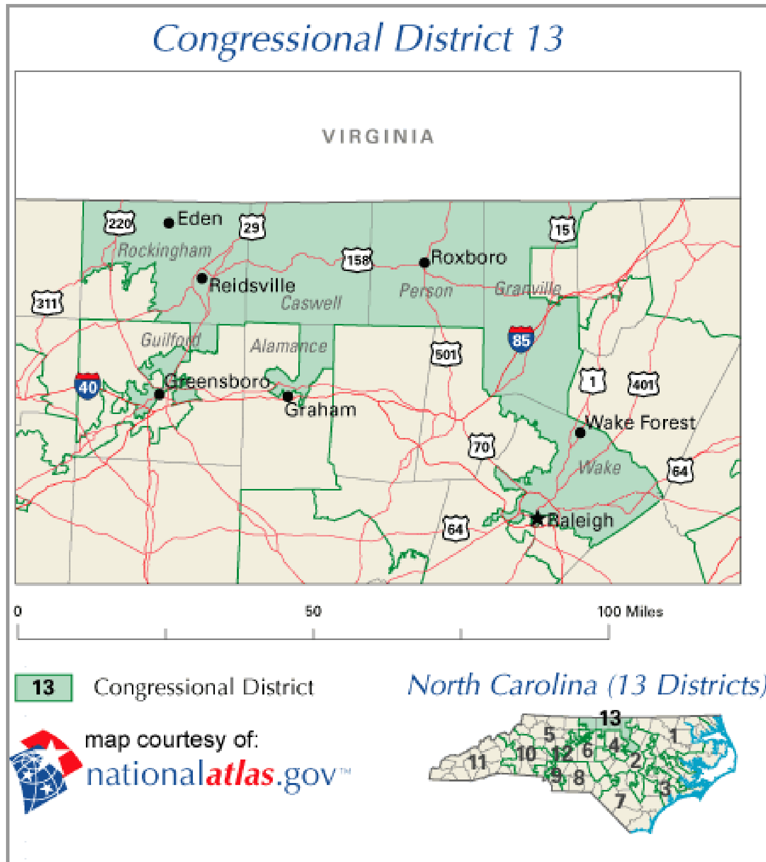


Joe Baca, California
MBIA insurance in CA District 43: **326 bond issues totaling $5.3 billion**

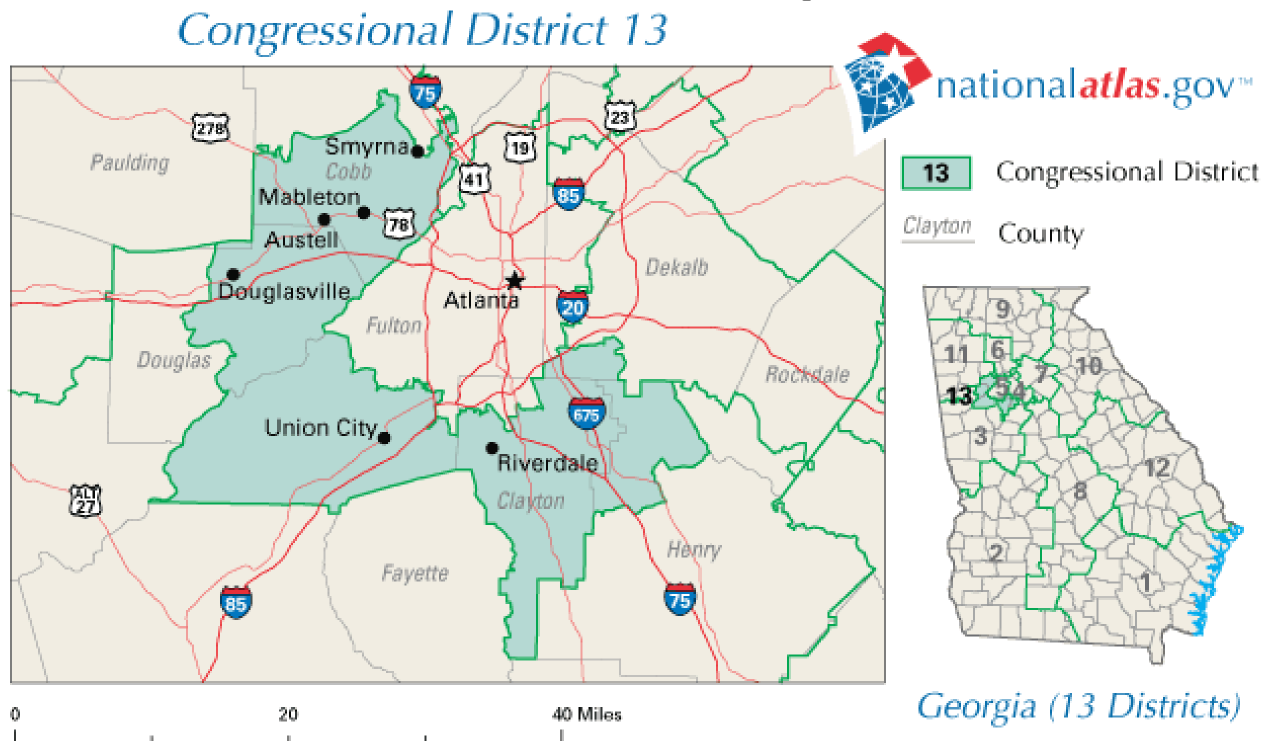
Stephen Lynch, Massachusetts
MBIA insurance in MA District 9: **155 bond issues totaling $1.0 billion**



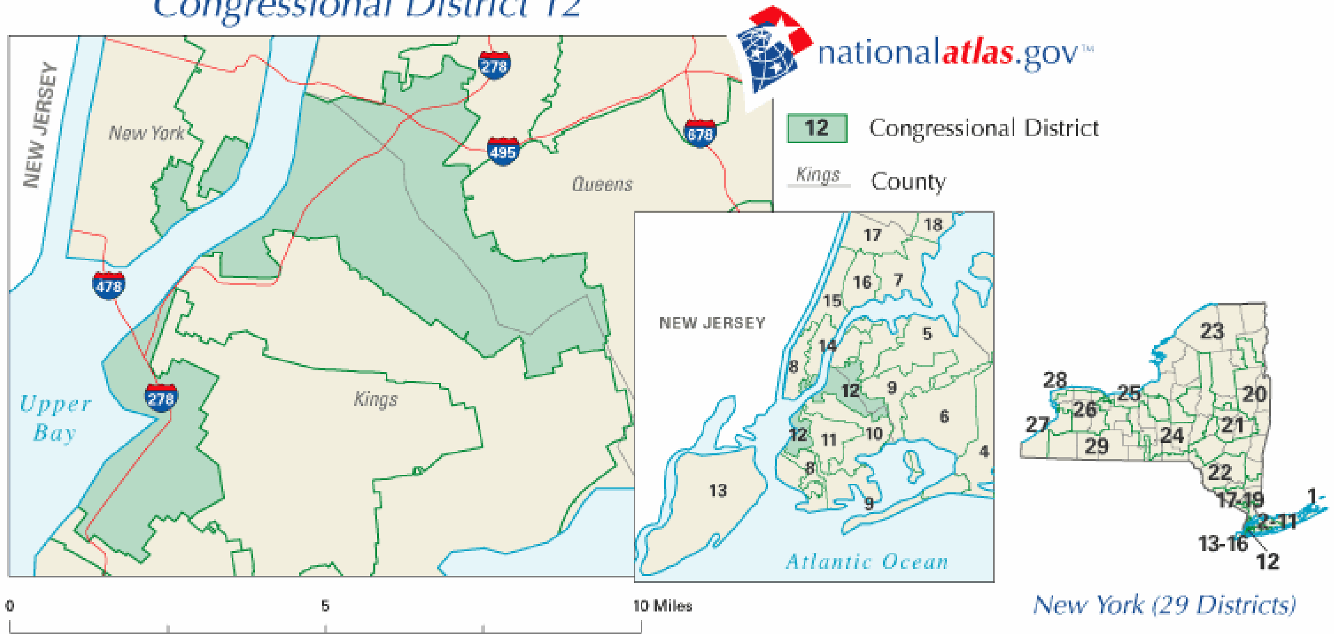
Brad Miller, North Carolina
MBIA insurance in NC District 13: **81 bond issues totaling $1.3 billion**



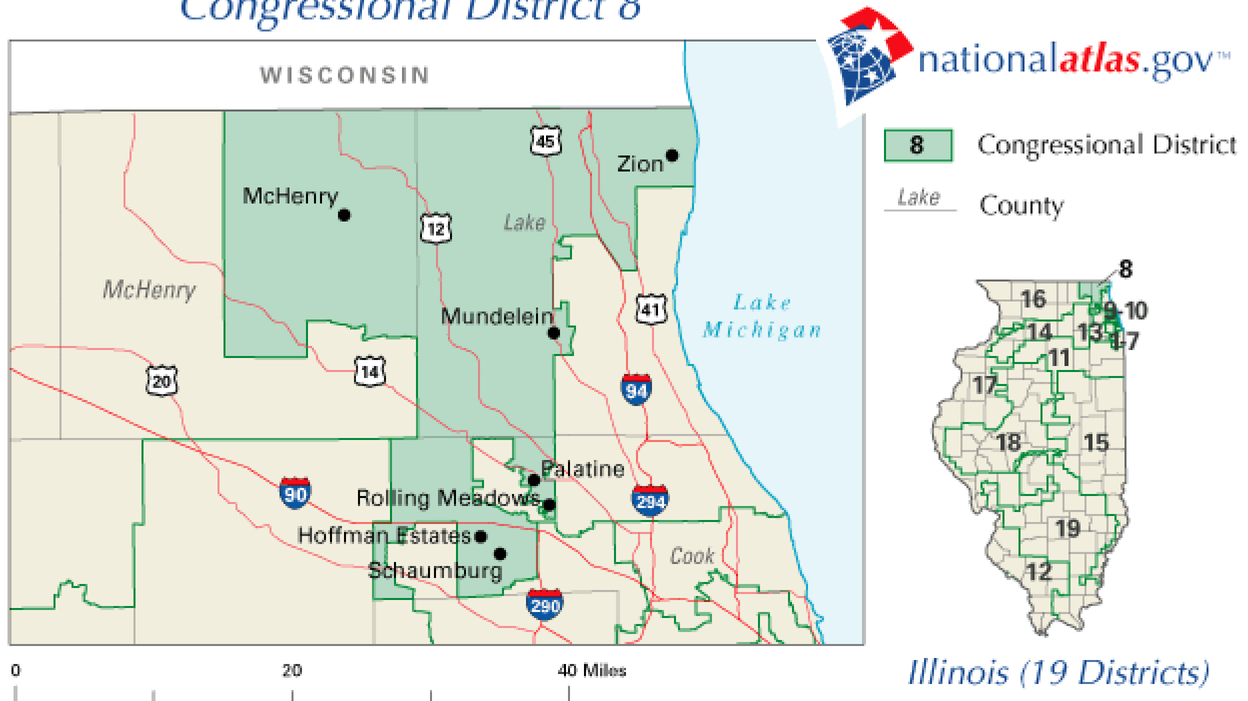
David Scott, Georgia
MBIA insurance in GA District 13: **28 bond issues totaling $355.5 million**



Nydia Velázquez, New York
MBIA insurance in NY Districts 4, 6, & 12: **5,000 bond issues totaling $34.6 billion**

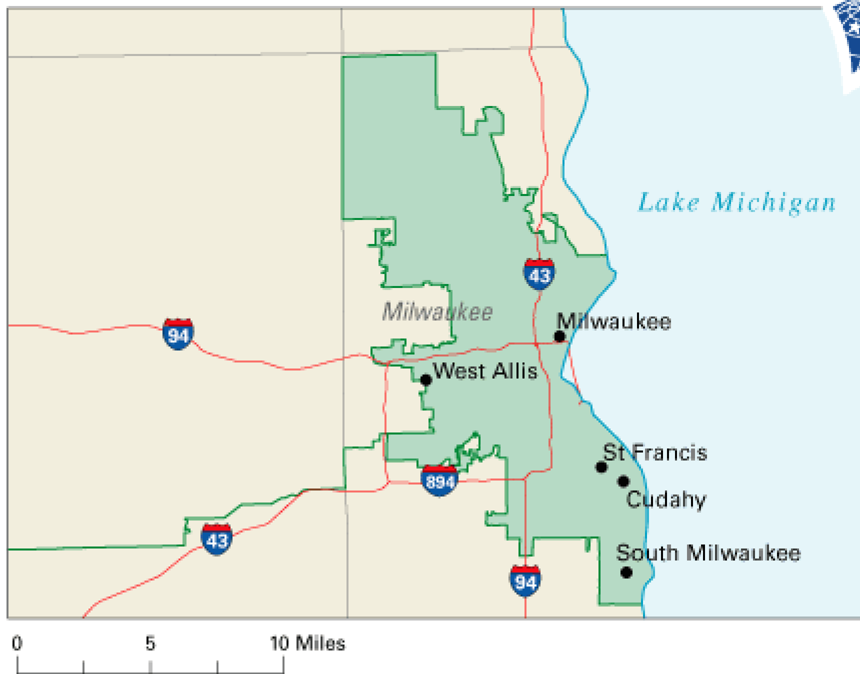


Melissa Bean, Illinois
MBIA insurance in IL District 8: **1,614 bond issues totaling $22.1 billion**



Gwen Moore, Wisconsin
MBIA insurance in WI District 4: **166 bond issues totaling $2.8 billion**

Congressional District 4



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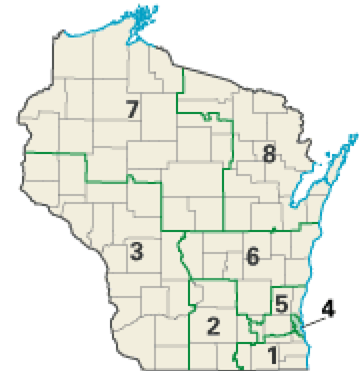
4 Congressional District
Milwaukee County



Wisconsin (8 Districts)

Lincoln Davis, Tennessee
MBIA insurance in KY District 4: **27 bond issues totaling $432.7 million**

Congressional District 4

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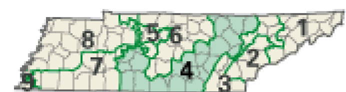
4 Congressional District
Giles County



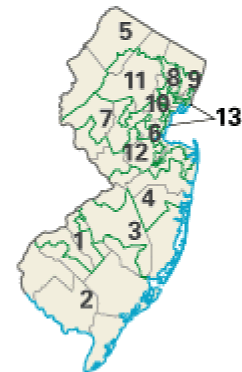
Tennessee (9 Districts)

Albio Sires, New Jersey
MBIA insurance in NJ District 13: **1,626 bond issues totaling $10.2 billion**

Congressional District 13

13 Congressional District

Union County



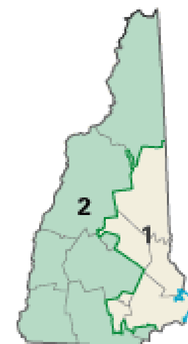
New Jersey (13 Districts)

Paul Hodes, New Hampshire
MBIA insurance in NH District 2: **79 bond issues totaling $1.7 billion**

Congressional District 2

2 Congressional District

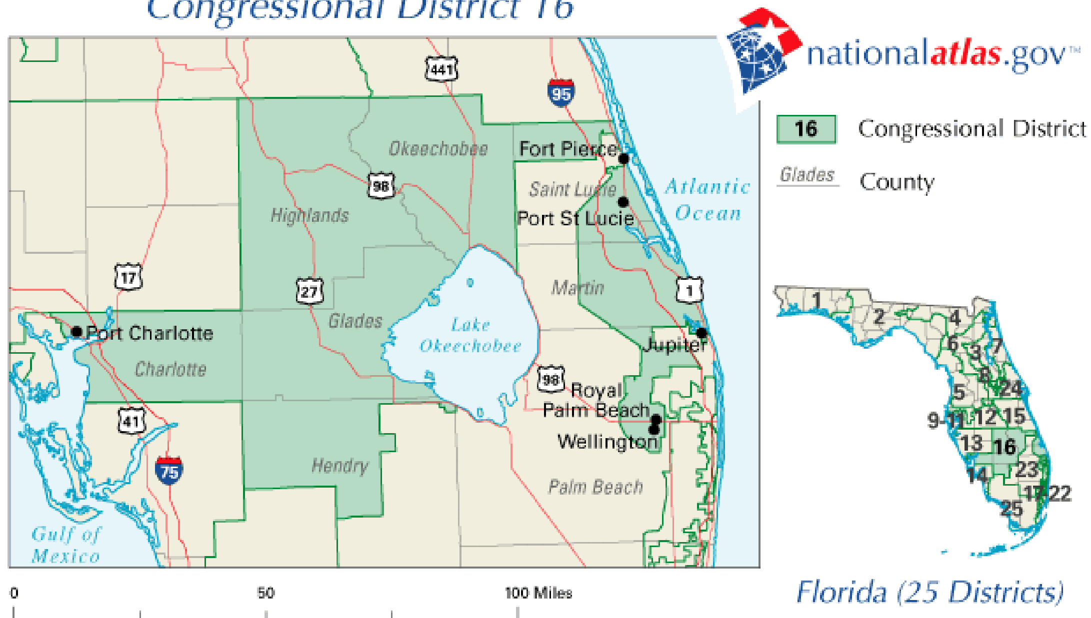
Grafton County



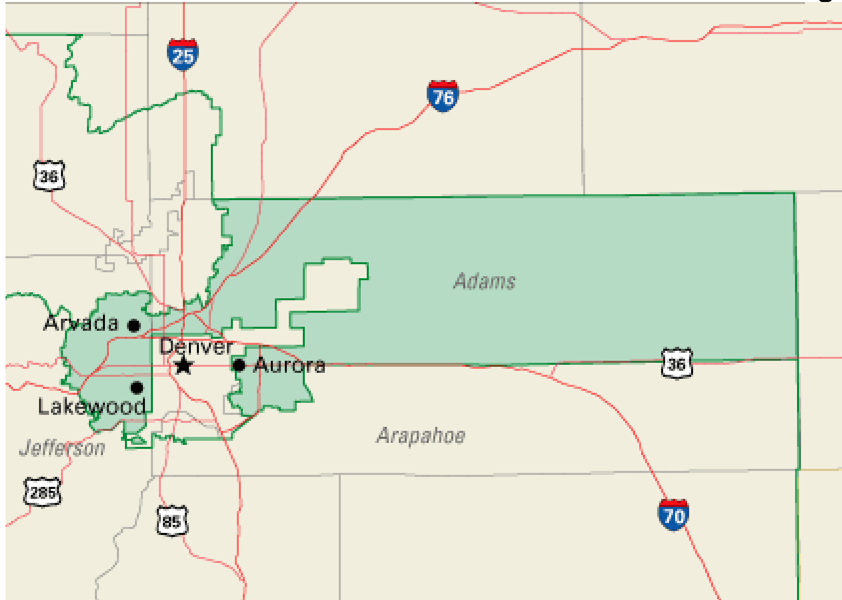
New Hampshire (2 Districts)

Ron Klein, Florida
MBIA insurance in FL District 22: **16 bond issues totaling $39.1 million**

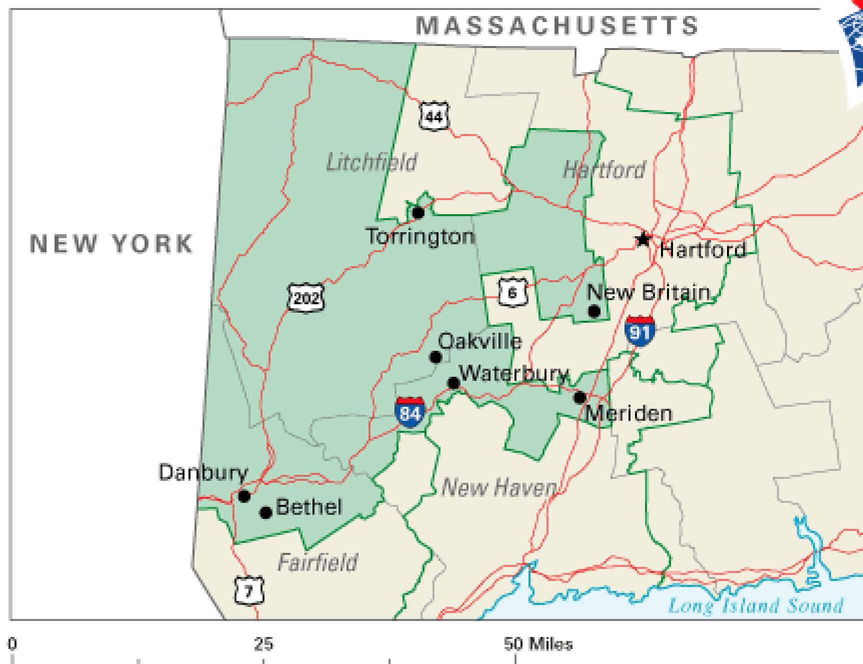
Tim Mahoney, Florida
MBIA insurance in FL District 16: **519 bond issues totaling $5.9 billion**

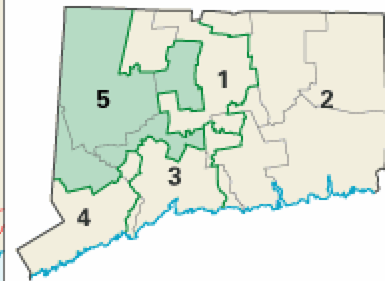


Ed Perlmutter, Colorado
MBIA insurance in CO District 7: **132 bond issues totaling $3.6 billion**

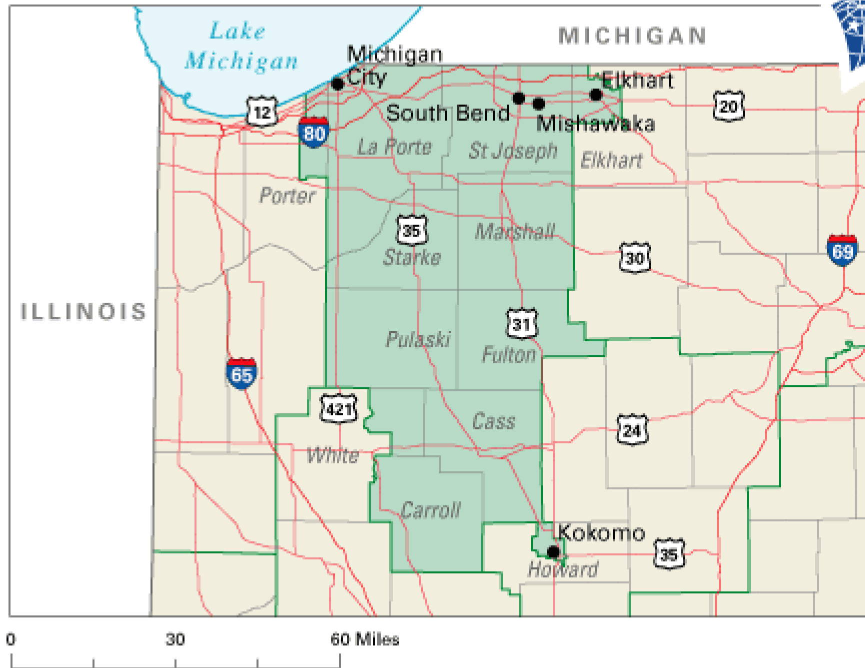


Christopher Murphy, Connecticut
MBIA insurance in CT District 5: **225 bond issues totaling $2.2 billion**

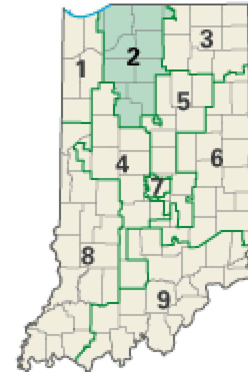




Joe Donnelly, Indiana
MBIA insurance in IN District 2: **18 bond issues totaling $178.9 million**

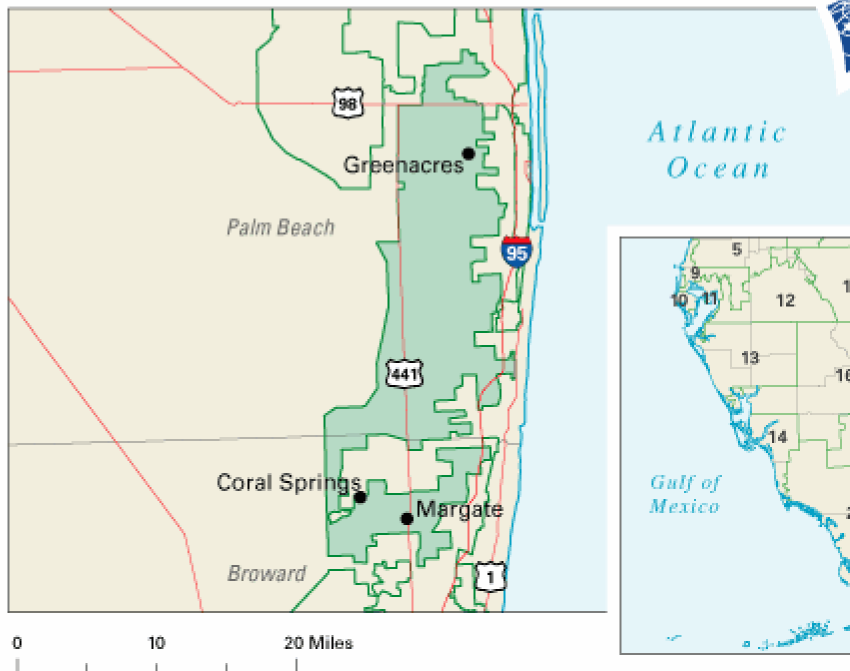


2 Congressional District
La Porte County

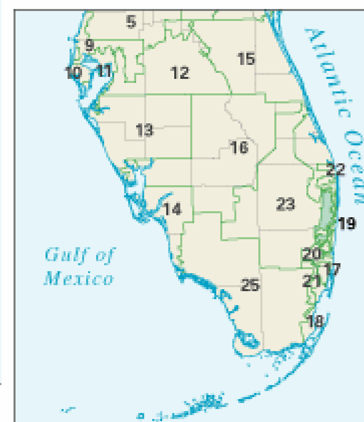


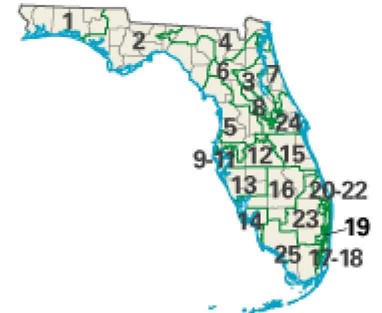
Indiana (9 Districts)

Robert Wexler, Florida
MBIA insurance in FL District 19: **60 bond issues totaling $682.4 million**



19 Congressional District
Palm Beach County

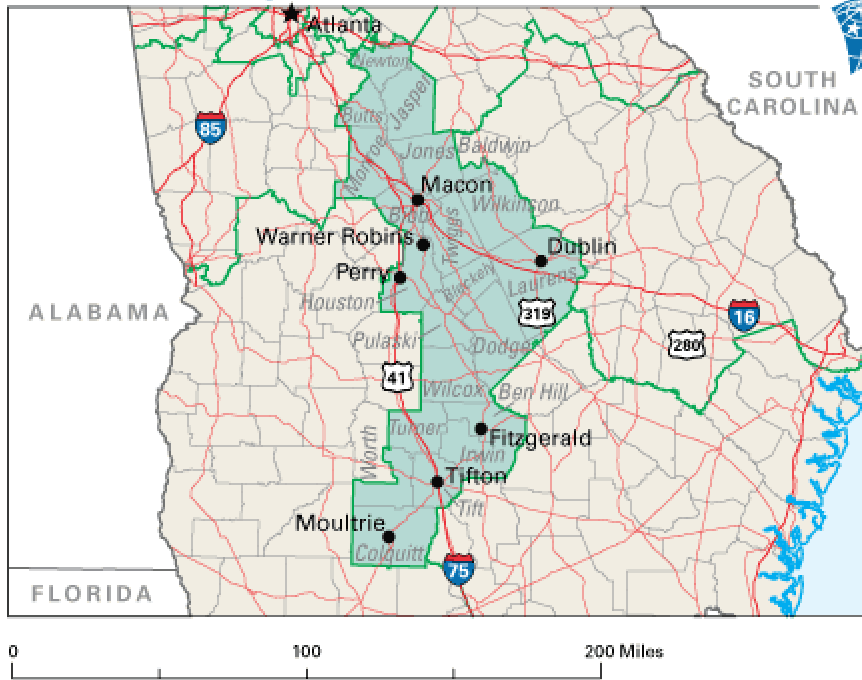




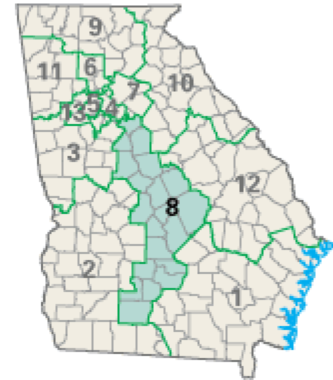
Florida (25 Districts)

Jim Marshall, Georgia
MBIA insurance in GA District 8: **545 bond issues totaling $7.2 billion**

Congressional District 8



8 Congressional District
Jones County



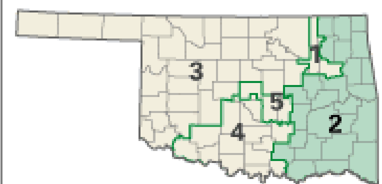
0 100 200 Miles

Georgia (13 Districts)

Dan Boren, Oklahoma
MBIA insurance in OK District 2: **140 bond issues totaling $888.4 million**

Congressional District 2

2 Congressional District
Mayes County



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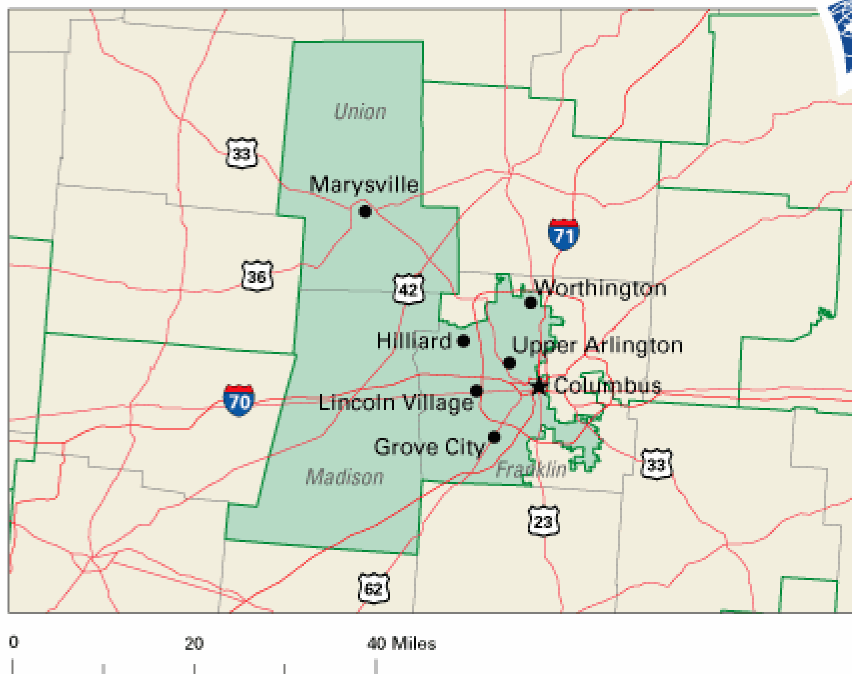
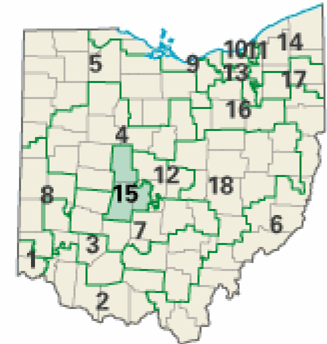
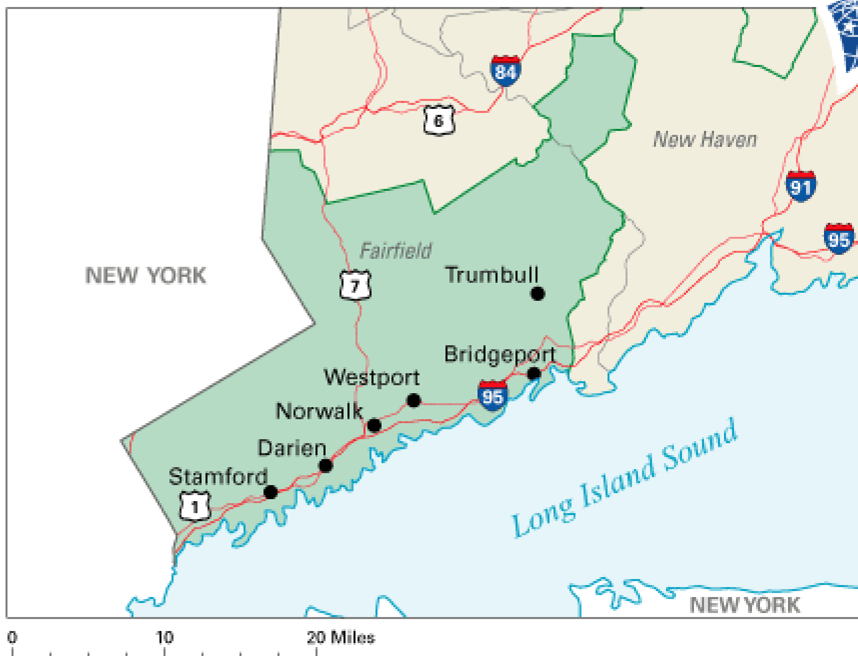
Oklahoma (2 Districts)

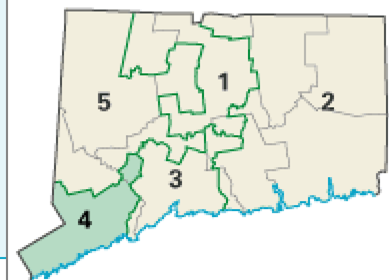
Deborah Pryce, *Ranking Member*, Ohio
MBIA insurance in OH District 15: **857 bond issues totaling $8.4 billion**



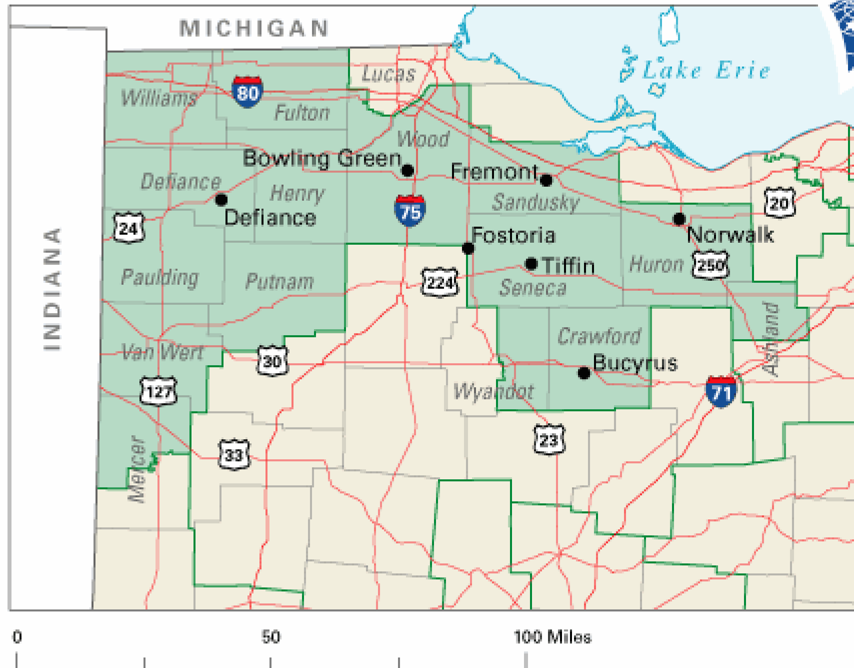


Christopher Shays, Connecticut
MBIA insurance in CT District 4: **141 bond issues totaling $2.2 billion**

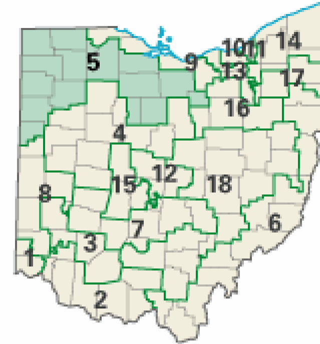




Paul Gillmor, Ohio
MBIA insurance in OH District 5: **571 bond issues totaling $5.5 billion**

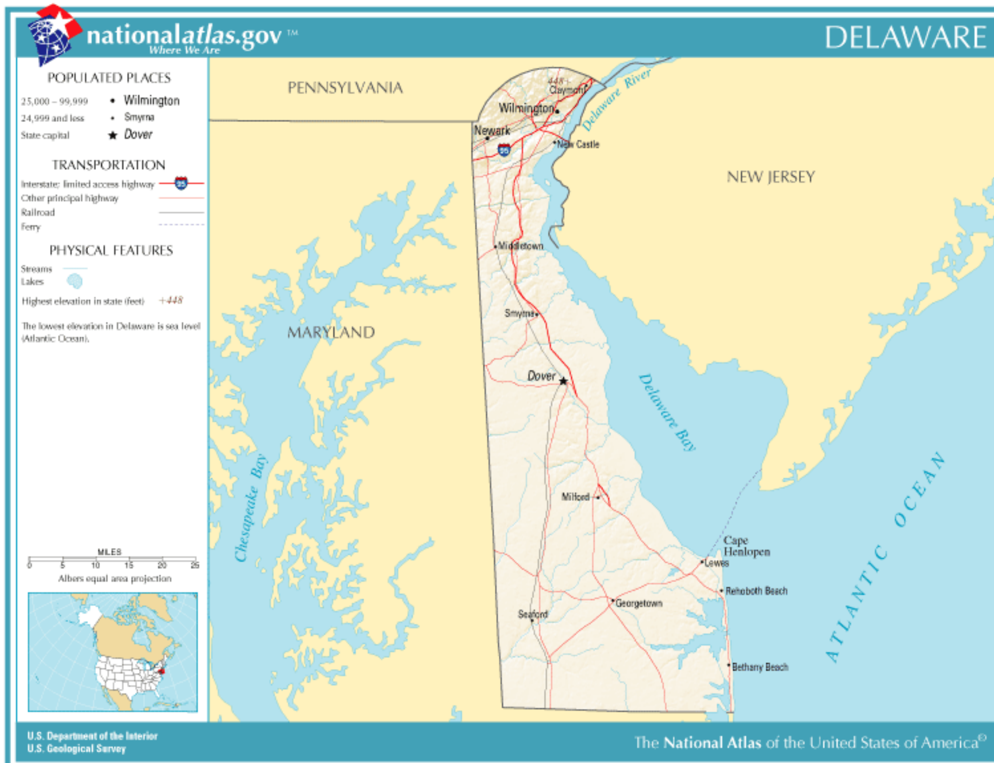


5 Congressional District
Huron County



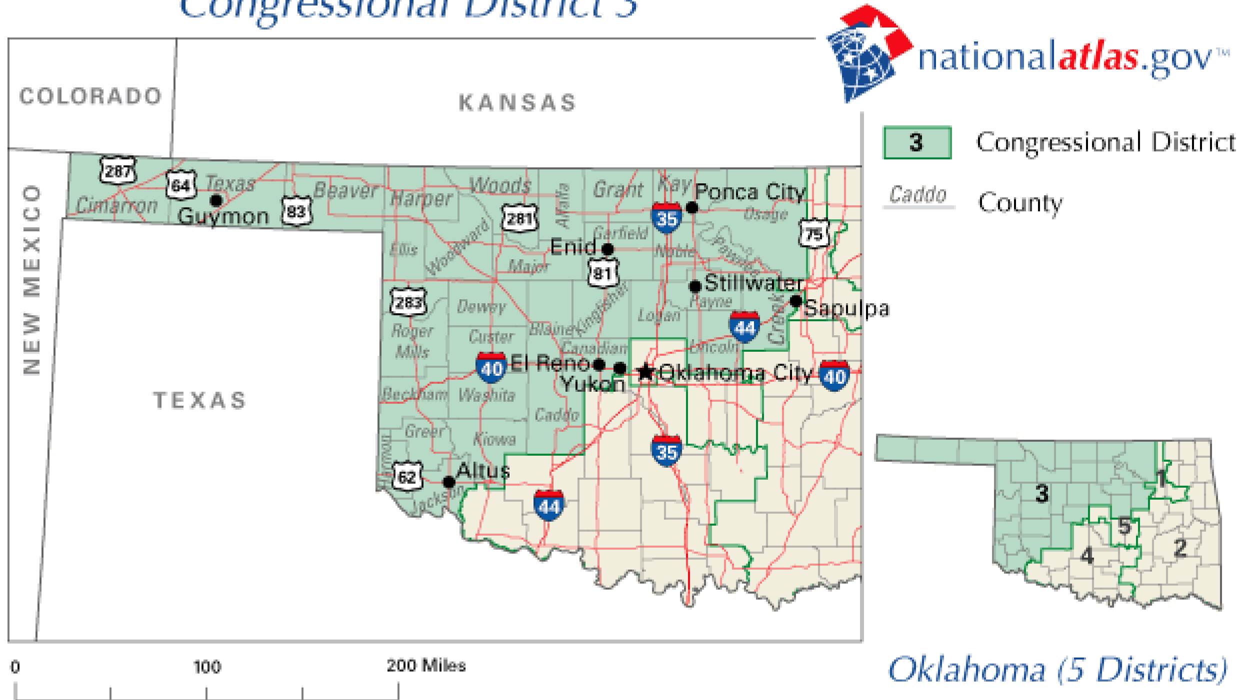
Ohio (18 Districts)

Michael Castle, Delaware
MBIA insurance in DE: **107 bond issues totaling $4.2 billion**

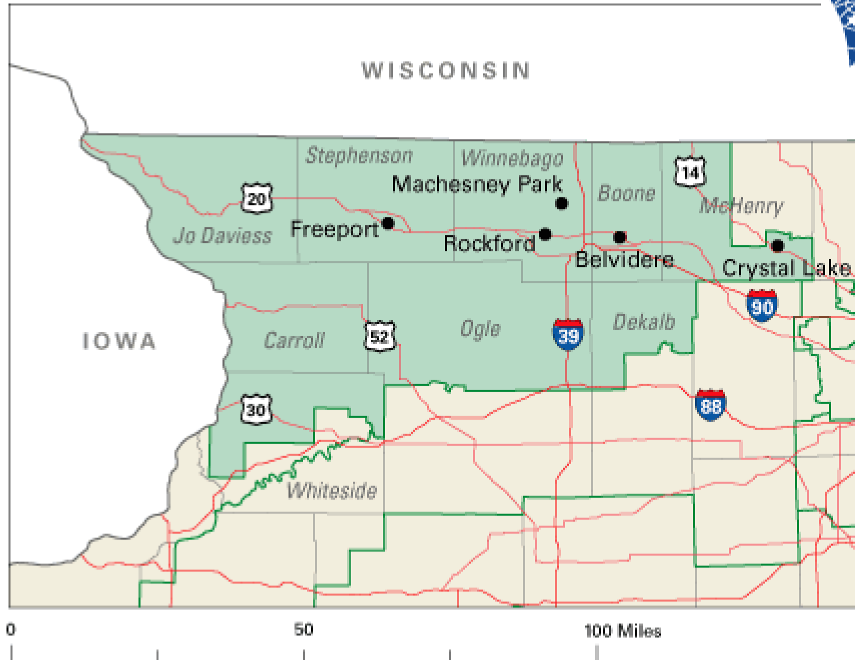


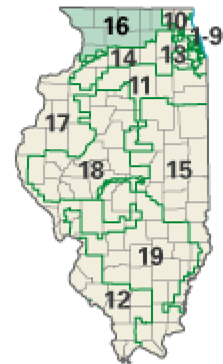
Peter King, New York
MBIA insurance in NY District 3: **467 bond issues totaling $5.5 billion**

Frank Lucas, Oklahoma
MBIA insurance in OK District 3: **116 bond issues totaling $943.0 million**

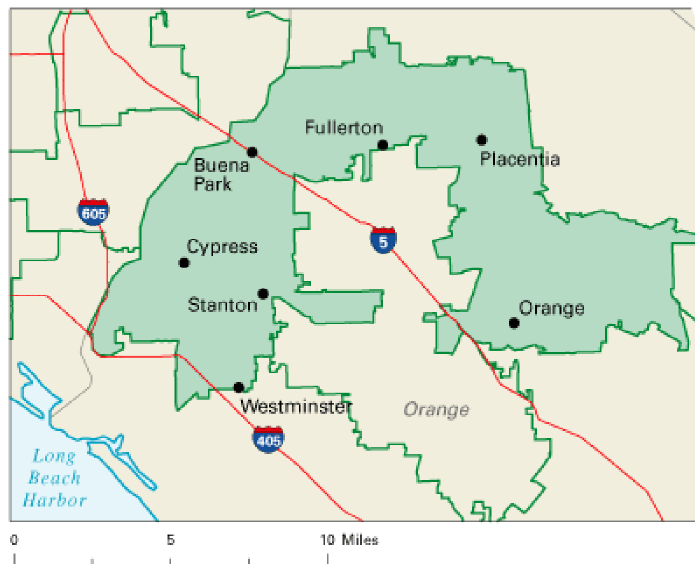


Donald Manzullo, Illinois
MBIA insurance in IL District 16: **189 bond issues totaling $1.0 billion**





Edward Royce, California
MBIA insurance in CA District 40: **41 bond issues totaling $1.0 billion**



Shelley Moore Capito, West Virginia
MBIA insurance in WV District 2: **281 bond issues totaling $3.4 billion**

Congressional District 2

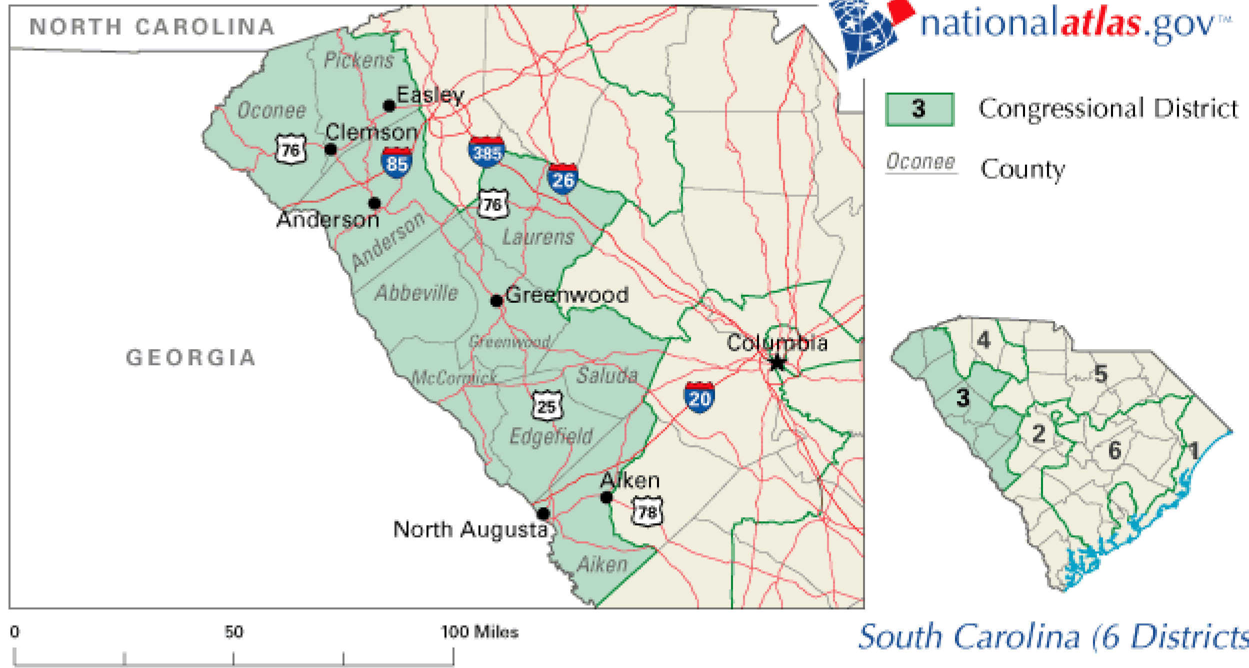
West Virginia (3 Districts)

Adam Putnam, Florida
MBIA insurance in FL District 12: **384 bond issues totaling $6.4 billion**

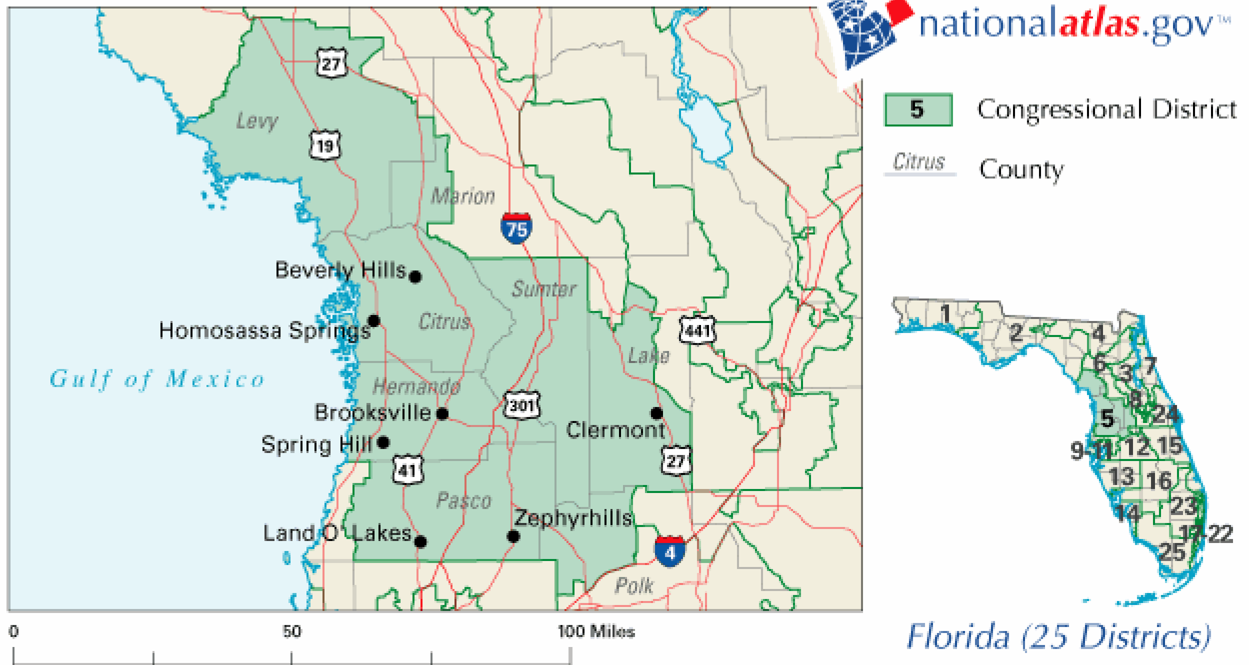
Congressional District 12

Florida (25 Districts)

Gresham Barrett, South Carolina
MBIA insurance in SC District 3: **73 bond issues totaling $700.4 million**



Ginny Brown-Waite, Florida
MBIA insurance in FL District 5: **284 bond issues totaling $4.8 billion**

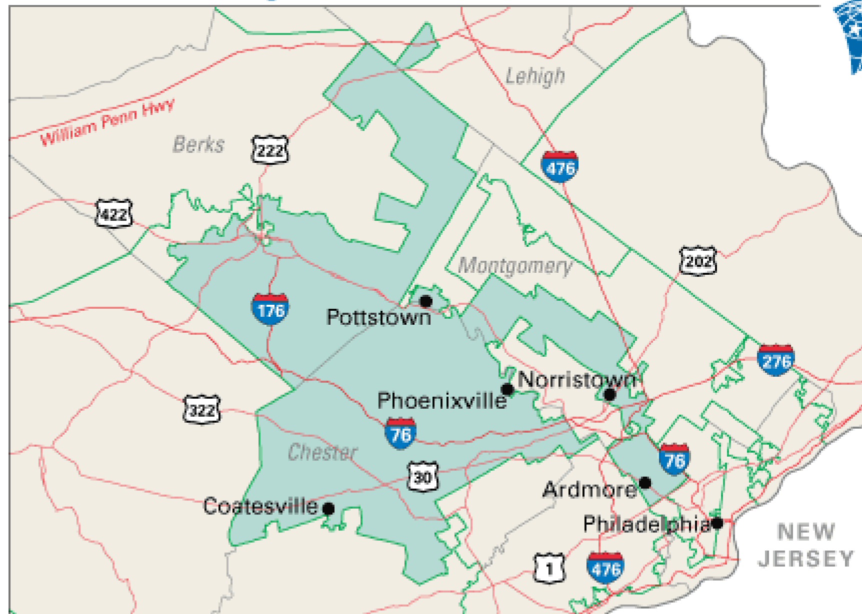


Tom Feeney, Florida
MBIA insurance in FL District 24: **886 bond issues totaling $12.8 billion**

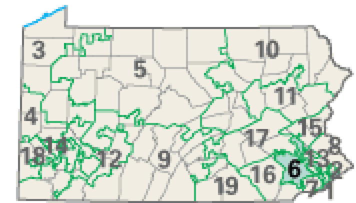
Scott Garrett, New Jersey
MBIA insurance in NJ District 5: **465 bond issues totaling $3.2 billion**

Jim Gerlach, Pennsylvania
MBIA insurance in PA District 6: **1,296 bond issues totaling $8.9 billion**

Congressional District 6



6 Congressional District
Chester County

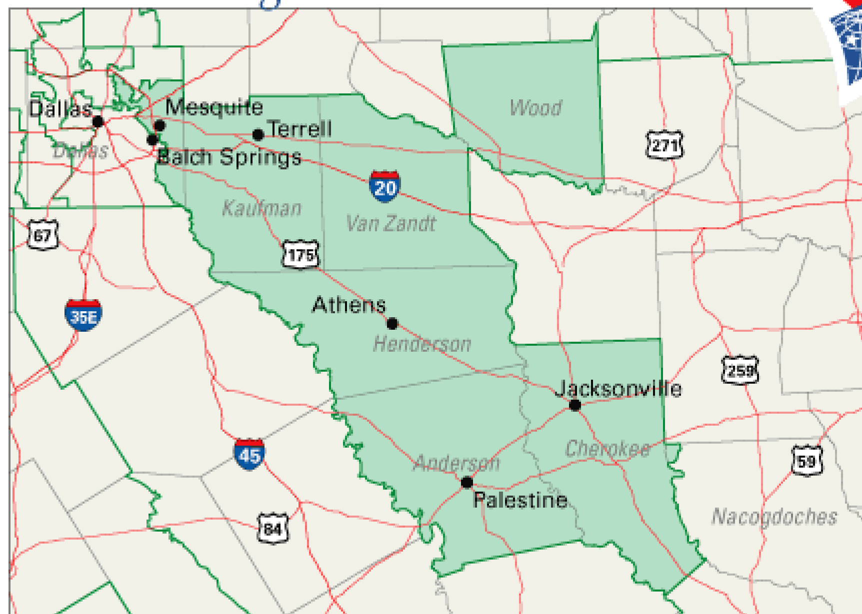


0 20 40 Miles

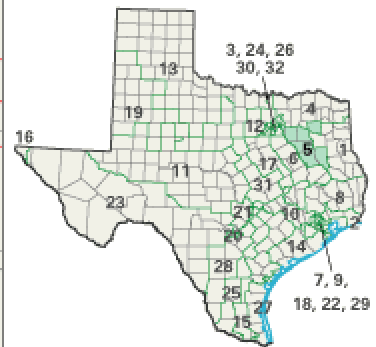
Pennsylvania (19 Districts)

Jeb Hensarling, Texas
MBIA insurance in TX District 5: **50 bond issues totaling $284.3 million**

Congressional District 5



5 Congressional District
Kaufman County



0 25 50 Miles

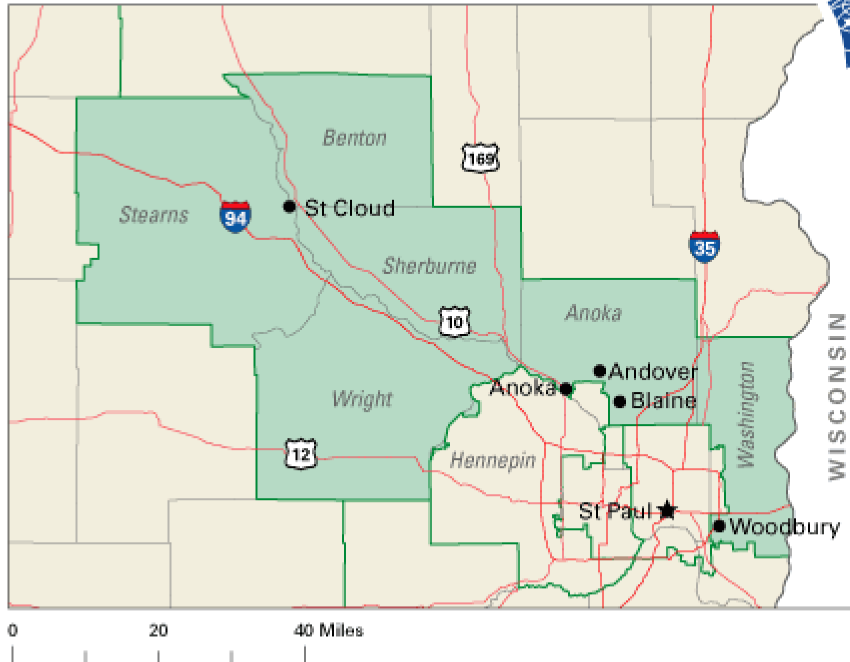
Texas (32 Districts)

Geoff Davis, Kentucky
MBIA insurance in KY District 4: **126 bond issues totaling $1.6 billion**

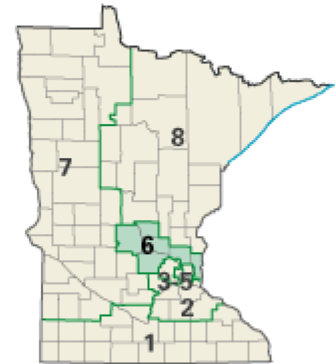
John Campbell III, California
MBIA insurance in CA District 48: **226 bond issues totaling $6.1 billion**

Michele Bachmann, Minnesota
MBIA insurance in IL District 8: **133 bond issues totaling $912.1 billion**

Congressional District 6



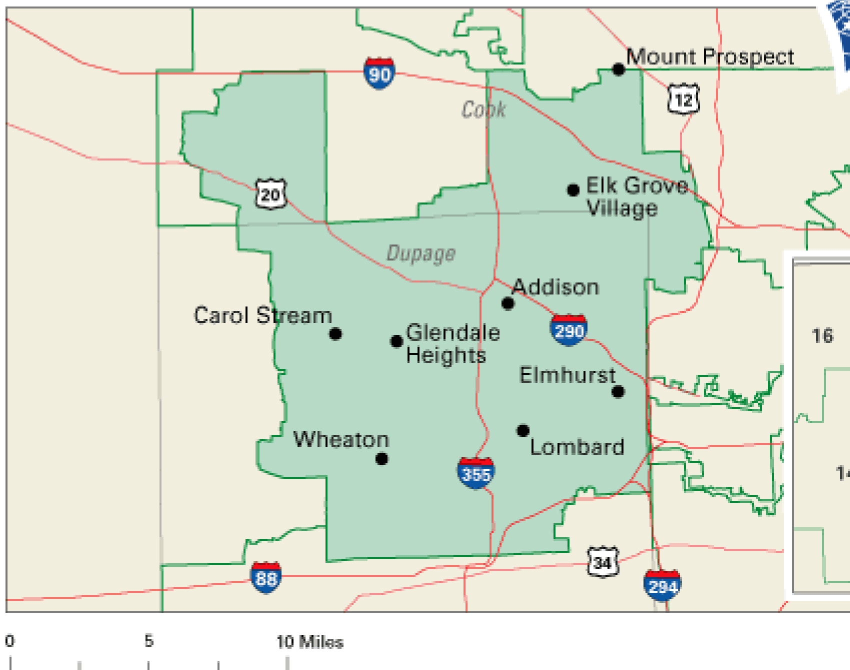
6 Congressional District
Wright County



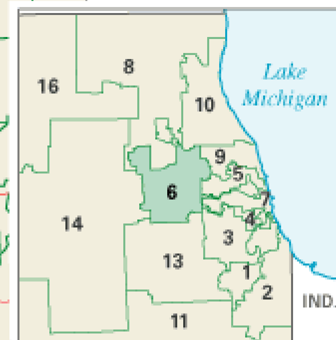
Minnesota (8 Districts)

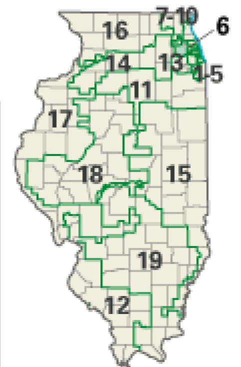
Peter Roskam, Illinois
MBIA insurance in IL District 6: **791 bond issues totaling $6.4 billion**

Congressional District 6



6 Congressional District
Dupage County

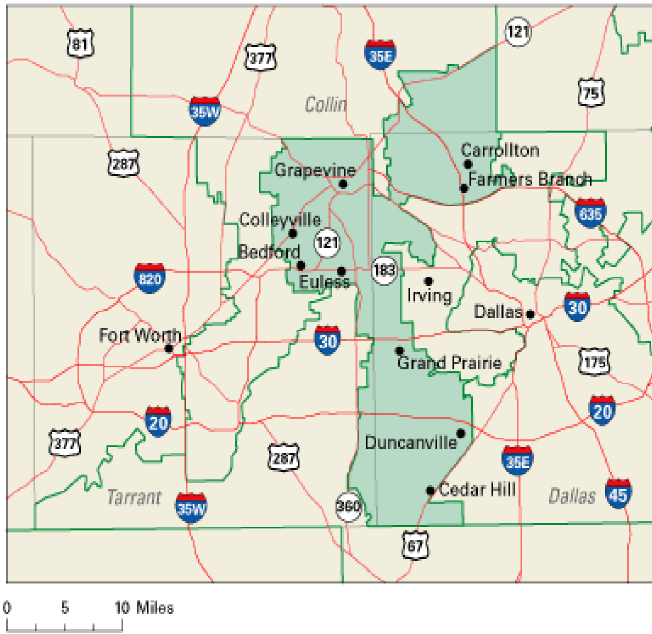




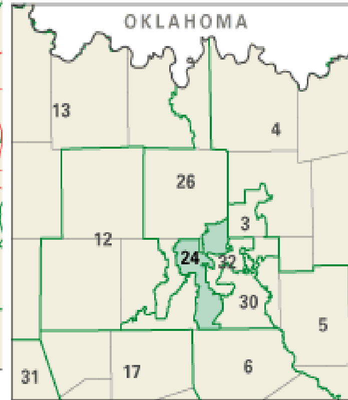
Illinois (19 Districts)

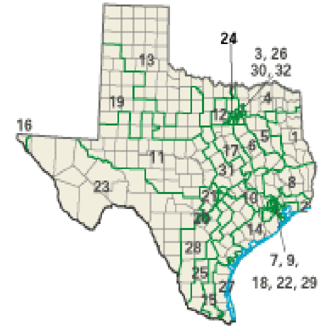
Kenny Marchant, Texas
MBIA insurance in TX District 24: **65 bond issues totaling $447.2 billion**

Congressional District 24



24 Congressional District
Dallas County

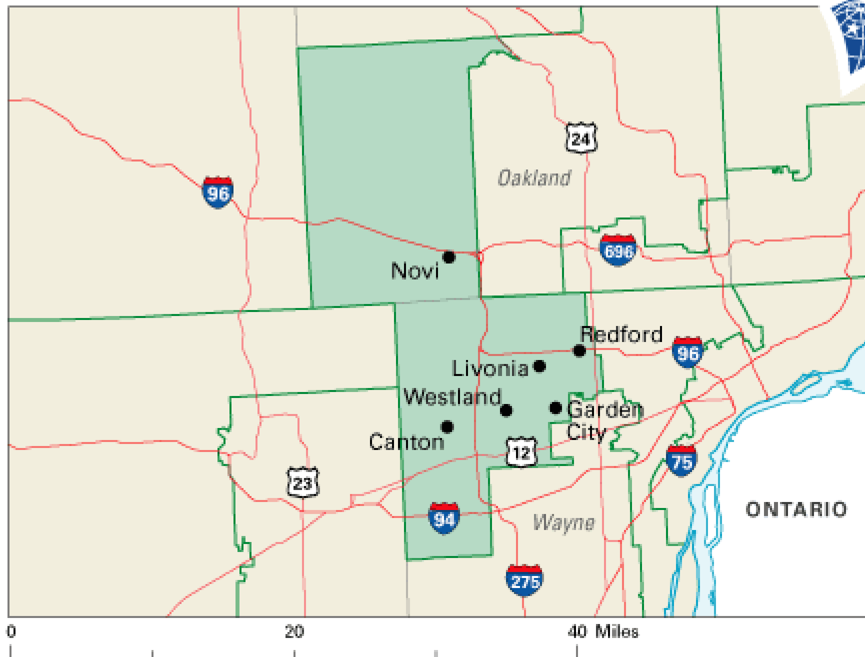




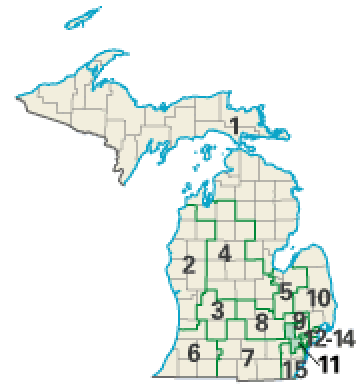
Texas (32 Districts)

Thaddeus McCotter, Michigan
MBIA insurance in MI District 11: **688 bond issues totaling $9.8 billion**

Congressional District 11



11 Congressional District
Oakland County



Michigan (15 Districts)

mbia
WISDOM IN ACTION℠

Great River Energy

DEAL PROFILE

UTILITY

Insurer: MBIA Insurance Corporation

Transaction Date: July 2007

Obligor: Formed in 1998, Great River Energy (GRE) in Elk River, Minnesota, is a not-for-profit electric power generation and transmission (G&T) cooperative that provides wholesale electric service to 28 distribution co-ops serving approximately 1.7 million people across Minnesota and Wisconsin. GRE is the second largest G&T cooperative in the U.S., in terms of miles of transmission (4,500 miles), and fourth largest in terms of generation capacity (2,400 MW).

Financing Issue: $1.3 billion Great River Energy, Series 2007 First Mortgage Bonds

Term of Financing: 30 years

Use of Proceeds: This financing will repay existing Rural Utilities Services (RUS) debt and replace it with a first mortgage indenture. RUS is one of the government entities that has traditionally financed the capital needs of electric cooperatives in the U.S.

Transaction Structure and Security: The obligations are first mortgage bonds secured by substantially all of GRE's assets, in addition to its wholesale power contracts. Other security features include a property pledge, restrictions on distribution to members of the cooperative, a rate covenant and the ability to issue additional bonds.

Transaction Summary and Highlights:
GRE's service territory has been rapidly growing and developing, resulting in greater capital needs for new generation. With traditional governmental financing sources such as RUS experiencing funding limitations and imminent reductions, GRE turned to the capital markets to help manage their capital requirements and position themselves for future growth. In addition, prepaying the RUS allowed GRE to restructure its debt by extending the maturity on a portion of the debt to more closely reflect the useful life of the related property, plant and equipment.

The $1.3 billion transaction is the largest ever completed by a G&T co-op. Proceeds from the transaction, which MBIA insured, permitted GRE to refinance some $1.1 billion of existing debt with RUS. The remaining $200 million will be used to fund future growth. This transaction illustrates how MBIA's involvement facilitated GRE's first entry in the capital markets and provided a low cost solution for financing their extensive capital needs.

MBIA Inc., through its subsidiaries, is a leading financial guarantor and provider of specialized financial services. MBIA's innovative and cost-effective products and services meet the credit enhancement, financial and investment needs of its public and private sector clients, domestically and internationally. MBIA Inc.'s principal operating subsidiaries, MBIA Insurance Corporation and MBIA UK Insurance Limited, have financial strength ratings of Triple-A from Moody's Investors Service, Standard & Poor's Ratings Services and Fitch Ratings. Please visit MBIA's Web site at www.mbia.com.

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SF 000 0/07

Miami Children's Hospital

DEAL PROFILE

HOSPITAL

Insurer: MBIA Insurance Corporation

Transaction Date: 2006

Obligor: Miami Children's Hospital (MCH)

Financing Issue: Series 2006 Revenue and Refunding Bonds $265,475,000. Refunding of approximately $134 million of a 2001 bond and issuance of approximately $120 million of new proceeds.

Term of Financing: 2046

Use of Proceeds: Refinancing of debt and new debt issuance will allow the hospital to lower its existing cost of capital and proceed with planned expansion to ease overcrowding and expand its neonatal intensive care unit.

Transaction Structure: The refunding provides savings to the hospital by converting the bonds from fixed to auction rate bonds (swapped to fixed). The new money bonds are structured to wrap around the refunding bonds in order to take advantage of the flat yield curve.

Pledge Security: The MBIA-insured Notes will be secured by a mortgage, gross revenue pledge, spring-in reserve fund and a strong covenant package.

Transaction Summary and Highlights:
Established in 1950 as a pediatric specialty hospital, Miami Children's Hospital (MCH) is recognized as the leading area facility of its kind offering the only freestanding pediatric trauma center in Miami-Dade County and the State of Florida. It is currently operating at capacity and in late 2006 reached out to the capital markets for financing to ease overcrowding and expand its neonatal intensive care unit. For this necessary financing, MCH wanted a bond insurer that could handle both the refinancing and the new issue without overextending their current budget.

MCH benefits from rising demand, limited competition, and strong private and public support as well as a proven history of sound financial performance. As a result, MBIA is providing an insurance commitment to MCH which will allow the hospital to proceed with expansion and service its growing admissions. While the hospital had experienced a period of financial decline in the late nineties, it maintained strong liquidity throughout while growing market share. This financing is expected to cover the cost of MCH's Capital Improvement Plan, which has received required community and governmental approvals and will be made within the hospital's existing footprint

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McGuire Air Force Base/Fort Dix Privatized Military Housing

DEAL PROFILE

MILITARY HOUSING

Insurer:	MBIA Insurance Corporation
Transaction Date:	September 26, 2006
Obligor:	United Communities LLC, a limited liability company formed to develop military family housing at McGuire AFB and Fort Dix in New Jersey. The members of the company are United Communities, Inc., a New Jersey-based developer and manager of residential properties, and other affiliated entities. United Communities, Inc. is the managing member of the obligor, responsible for constructing, renovating and managing the military family housing units subject to the provisions of a 50-year ground lease of the land and housing between the military and the obligor.
Financing Issue:	$274 million Taxable Military Housing Revenue Bonds, Series 2006 issued in a single class offered under Rule 144A and a direct loan from the Air Force of $46.7 million which is subordinate to the bonds. Project capital costs will also be funded by $17.3 million in cash equity contributions from the obligor, $30.4 million in projected investment earnings during the development period, and $13.4 million in project operating income provided during the development period.
Term of Financing:	45 years
Use of Proceeds:	Development, construction and financing costs of the project
Transaction Structure:	Single class of fixed-rate taxable bonds
Pledged Security:	First leasehold mortgage under the ground lease and a first mortgage on the improvements. All revenues consist primarily of rental payments from military tenants residing in the housing units. The rent is set equal to the military personnel's basic allowance for housing. The bonds are also secured by other project receipts, bond proceeds and investment earnings, and capital contributions from the obligor.

Transaction Summary and Highlights:
In 1996, Congress passed the Military Housing Privatization Initiative, which paved the way for privately financed and built military housing. MBIA has been a leading participant in the privatization effort and McGuire Air Force Base / Fort Dix is the largest Air Force rental privatization project done to date. Located next to each other in southern New Jersey, McGuire AFB is the only AFB located on the coast in the Northeast and Fort Dix is an important training and mobilization installation for all military branches. The revitalization calls for demolition of 1,915 homes (many dating to the 1950's), construction of 1,635 new units, major renovation on 14 historic buildings and minor renovation on 435 homes. At the end of the project, a total of 2,084 homes will provide exceptional amenities compared with comparably priced units in the local market, as well as community centers and infrastructure. The bonds for the transaction were rated AA- by S&P. To increase marketability the bonds were wrapped with MBIA's Triple-A-rated financial guarantee. As a result, they sold very quickly with the lowest spread to the long Treasury bond for any Air Force deal to date.

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andrew.chintz@mbia.com

mbia
WISDOM IN ACTION℠

Tulane University

DEAL PROFILE

HIGHER EDUCATION

Insurer: MBIA Insurance Corporation

Transaction Date: May, 2007

Obligor: Louisiana Public Facilities Authority (Tulane University of LA Project)
The Administrators of the Tulane Educational Fund (Tulane University of LA)

Financing Issue: $193 million Refunding Revenue Bonds
$103 million Taxable Refunding Revenue Bonds
$62 million Refunding Revenue Bonds
$33 million Refunding Revenue Bonds

Term of Financing: 30 years

Use of Proceeds: Refund almost all outstanding tax-exempt and taxable bonded debt of the University allowing for debt-service relief. Tulane's annual debt service will drop by about $7 million annually, through 2013.

Transaction Structure: General obligations of Tulane with the full faith and credit of Tulane pledged to the payment of the Bonds. Covenants are an additional bonds test and negative pledge on fees (excluding tuition) and available assets.

Pledged Security: General obligation of Tulane University

Transaction Summary and Highlights:
MBIA's financial guarantee enabled Tulane to restructure its debt allowing for debt service relief over the next several years. This was necessary due to the financial constraints the University faced caused by the effects of Hurricane Katrina which caused $190 million of physical damage to the campus and another $140 million of losses in research materials and fine art. MBIA had approached Tulane immediately after Katrina to express our willingness to work with senior management to develop an interim borrowing plan. Although Tulane chose a different financing plan at that time, MBIA continued to maintain a strong relationship with the University and its banker. Although Tulane was forced to close for the fall 2005 semester, it reopened for the spring semester in January 2006 as a smaller, re-focused, scaled-back institution with 10,400 students down from 13,000 in 2003. The University has made great strides in reinventing itself and MBIA's long-term positive outlook on Tulane's viability helped to make this possible. By restructuring its debt, Tulane was able to relieve some of its financial stress and today Tulane continues to fare well as one of the country's pre-eminent institutions of higher learning.

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SF 000 0/07

Citizens Property Insurance Corporation, Florida High Risk Account-Senior Secured Refunding Bonds Series 2007A

DEAL PROFILE

SPECIAL ASSESSMENT

Insurer: MBIA Insurance Corporation

Transaction Date: February 2007

Obligor: Citizens Property Insurance Corporation; a legislatively created entity established in 2002 to provide residential and commercial property and casualty insurance for property owners in Florida who meet certain statutory requirements. The High Risk Account ("HRA"), one of three separate accounts of Citizens, provides wind-only insurance policies for property owners in designated coastal areas of Florida.

Financing Issue: $1.06 billion

Use of Proceeds: Refund $1 billion outstanding Florida Windstorm Underwriting Association ("FWUA") 7.125% Series 1999A Senior Secured Insured Notes ("Series 1999A Notes"), pay a redemption premium, fund a Reserve Account and pay issuance costs. FWUA was a predecessor organization to Citizens.

Transaction Structure: Tax-exempt fixed-rate serial maturities with final maturity in 2017.

Pledged Security: Includes premiums and surcharges, reimbursements from the Florida Hurricane Catastrophe Fund, the state-run reinsurer and assessments on property insurance premiums levied on insurers and policyholders state-wide. When Citizens incurs a deficit, it may levy assessments up to 10% in any year for as long as necessary to cover the gap. As a result of the 2005 hurricanes, Citizens incurred a deficit in 2005 and is currently levying an emergency assessment on policyholders of 1.4% per year for 10 years. This is expected to produce sufficient revenues to cover bond debt service in any year.

Transaction Summary and Highlights:
The Series 1999A Notes were issued in that year as fixed-rate taxable securities to provide pre-event funding liquidity to FWUA Proceeds were invested in higher yielding investments designed to cover the fixed interest-only payments before final maturity in 2019. However, when interest rates declined shortly after issuance, investment earnings were insufficient to cover the interest costs on the notes, creating significant negative arbitrage. Citizens could not eliminate these arbitrage losses by refunding the Series 1999A Notes as their structure included a "make-whole call" provision requiring the issuer to compensate investors for their "losses" should the notes be redeemed before final maturity. The costs of the make-whole payment more than offset the savings, which would have been generated through a taxable refunding. However, when Citizens used the note proceeds to pay claims as a result of the 2005 storms, it provided them with the opportunity to refinance the Notes with tax-exempt bonds. The enhanced economics of this tax-exempt transaction plus MBIA's Triple-A-rated financial guarantee enabled Citizens to realize over $85 million in present value savings after taking into account the make-whole payment, while shortening the final maturity of the debt by two years.

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SF 000 0/07

Missouri Joint Municipal Electric Utility Commission Power Project Revenue Bonds (Plum Point Project)

DEAL PROFILE

UTILITY

Insurer: MBIA Insurance Corporation

Transaction Date: May 10, 2006

Obligor: Missouri Joint Municipal Electric Utility Commission (MJMEUC), a joint action agency, acting on behalf of seven of its 62 members. MJMEUC's members are municipal electric utilities that provide electric service to residential, commercial and industrial customers within their boundaries.

Financing Issue: $279 million of fixed-rate tax-exempt revenue bonds

Term of Financing: 30 years

Use of Proceeds: To finance the acquisition of a 22% ownership interest in the Plum Point Power Project, a 665 MW base-load coalfired generating station to be constructed in northeastern Arkansas. LS Power, a private developer, is the sponsor and ongoing manager of the Plum Point Project.

Transaction Structure: The seven participating municipalities each entered into long-term power purchase agreements with MJMEUC to procure power from Plum Point to serve their respective power load requirements. These agreements require the participants to pay all of MJMEUC's costs related to Plum Point (including debt service) as an operating expense of their electric systems.

Pledged Security: The transaction is secured by a first lien pledge of the revenue received by MJMEUC from the participants pursuant to the purchase power agreements plus all reserves, funds and assets held by the Trustee.

Transaction Summary and Highlights:
This award-winning transaction enabled seven small municipal utilities, through MJMEUC, to acquire an equity stake in a relatively low cost, state-of-the-art base-load coal-fired generating plant in a region dominated by natural gas generated power. Ownership in the plant will reduce the risk of fuel price shock that many of the municipal participants had experienced from buying electricity from existing regional suppliers. The Plum Point financing was MJMEUC's first entry into the capital markets, and MBIA's financial guarantee improved the marketing of the bonds, widened the universe of potential investors and lowered the cost of the debt, ultimately resulting in lower cost power for the participants.

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Vakif Bank, Turkey

DEAL PROFILE

FUTURE FLOW

Insurer: MBIA Insurance Corporation

Transaction Date: May 2007

Obligor: Turkiye Vakiflar Bankasi T.A.O. (Vakif Bank), a leading Turkish bank

Financing Issue: $200 million in dollar-denominated bonds

Term of Financing: Final maturity of 10 years with a weighted average life of 7 years

Use of Proceeds: The financing was used by Vakif for general corporate purposes, which included the disbursement of USD loans to its commercial customers and the diversification of its sources of funding. The transaction also provided term-funding to better match the tenors of assets and liabilities, especially for short- to medium-term loans.

Transaction Structure: The transaction was similar in structure to other Turkish future flow transactions with risk mitigating provisions including early amortization events, default triggers and covenants. An important aspect of the deal was the creation of an offshore, bankruptcy-remote special purpose vehicle to which Vakif sold its rights to existing and future remittances under a "true sale" provisioned under Turkish law.

Pledged Security: Secured against diversified payment rights in the form of remittances, export receivables, tourism revenues, and foreign direct investment flows made through various American and European correspondent banks. Payments were made in USD, Euro, GBP and CHF currencies with limited foreign exchange risk. Additional security mechanisms included cash flow triggers, a coverage reserve account, downgrade pricing protection and limitations on additional debt.

Transaction Summary and Highlights:
Prior to this deal, MBIA closed future flow transactions in Turkey, Brazil, Mexico, and Kazakhstan. In fact, in 1998 MBIA was the first monoline to enter the Turkish market, which at over USD 2 billion plus, Turkey represents MBIA's largest exposure in an emerging market. However, there were certain specific challenges associated with this deal. Around the time of the transaction, Vakif was undergoing an ownership transition from a 100% government owned entity to a publicly listed corporation. To secure the best financing terms, Vakif was advised to issue an IPO prior to securing debt financing. In 2005, the Bank successfully sold 25.2% of its shares in an IPO, raising approximately $1.2 billion. In 2007, the bank issued debt of $500 million, which was a large sum, having issued $915 million in debt financing in 2006. To limit any single entity's exposure, the transaction was structured as a club deal with participation from three other monoline insurance companies. Although faced with a relatively stable macroeconomic environment, there was considerable political uncertainty around the impending presidential nomination and parliamentary elections later that year with an expected standoff between the military and the governing political party. However, in the absence of any tangible effect on markets, MBIA remained committed to the transaction, which closed in May of 2007.

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Egyptian General Petroleum Corporation

DEAL PROFILE

FUTURE FLOW

Insurer: MBIA Insurance Corporation

Transaction Date: July 2005

Obligor: Petroleum Export Limited (PEL), an SPV incorporated in the Cayman Islands, is the Obligor with limited recourse to the Egyptian General Petroleum Corporation (EGPC). The EGPC is a 100% state-owned petroleum company controlled by the government of Egypt.

Financing Issue: $400 million in 144A dollar-denominated oil export backed notes, issued by PEL to be paid quarterly at a fixed rate

Term of Financing: Final maturity of 5 years with a weighted average life of 2.8 years

Use of Proceeds: General corporate purposes, as well as to fund the Petroleum Ministry's equity investments in the energy sector in Egypt, including lucrative natural gas infrastructure, and to reduce subsidies

Transaction Structure: This transaction is a forward sale agreement (FSA) of crude oil and naphtha under which the EGPC will deliver a fixed quantity of product in return for an upfront payment or pre-payment for future deliveries by PEL. Under an offtake agreement, Morgan Stanley Capital Group (MSCG) purchases from PEL all product delivered over the life of the deal at market price. In addition, there exists a hedge agreement between MSCG and PEL which guarantees a minimum price floor for each product. The notes will be senior secured obligations of PEL backed by the above agreements and a 3-month debt service reserve account funded at closing. There are also limitations on additional debt.

Pledged Security: The transaction is secured by the export of crude oil and naphtha to be delivered to PEL by EGPC and export receivables generated by PEL from the sale of these products. In addition, EGPC enjoys special non-bankruptcy status, strong revenues and future resource potential.

Transaction Summary and Highlights:
This was the first future flow transaction in Egypt. By accessing a novel securitization structure using MBIA-wrapped dollar-denominated debt, EGPC and the government of Egypt were able to significantly broaden their investor base while at the same time capture large savings through a lower cost of funding. The money raised was targeted towards short- and medium-term investments in the energy sector including strategic investments in the natural gas infrastructure. MBIA made contributions to the legal and financial structure of the deal to separate corporate risk from sovereign risk. In order to do this, an offshore SPV entity was set up with a claim on export receivables prior to their flow into Egypt. Another highlight of the deal involved the negotiation and structuring of an innovative commodity swap agreement to mitigate the impact of a fall in oil prices. Under this agreement, the obligor was guaranteed a minimum price on all future product sales. Given investor perception of potential instability in the Middle East, this transaction demonstrates MBIA's commitment to analyze difficult situations and develop creative, sustainable solutions.

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The Saggas Company - Planta de Regasificación de Sagunto

DEAL PROFILE

UTILITY

Insurer: MBIA UK Insurance Limited

Transaction Date: March 21, 2007

Obligor: The Saggas Company – Planta de Regasificación de Sagunto

Financing Issue: Total amount: $152 Million divided into the following two tranches:
- a $100 million European Investment Bank Loan, and
- a $52 million bank loan extended by Caja Madrid

Term of Financing: Final maturity of 25 years with a weighted average life of 12.6 years

Use of Proceeds: Expansion of an existing plant also financed by MBIA in 2004

Pledge Security: Security interest in all of the assets of the plant (Phase I and II)

Transaction Summary and Highlights:
MBIA recently insured a transaction for The Saggas Company, which will fund the expansion of the Sagunto Regasification Plant, located at Saggas' Liquid Natural Gas (LNG) terminal in the Port of Sagunto near Valencia, Spain. The expansion will increase the capacity of the regasification plant, where LNG, which has been liquefied for tanker transportation, is converted back to usable form—natural gas. The expansion will add a third storage tank and a fifth vaporizer at the plant, which is strategically located to receive LNG from producer regions such as the Mediterranean, Africa and the Middle East.

In 2004, MBIA insured the first phase of plant construction when it guaranteed a total amount of $321 million in two tranches: a $292 million European Investment Bank loan and a $29 million additional facility extended by Caja Madrid for the construction of the first phase of the plant.

The first phase went smoothly, with construction completed on time and under budget, and the plant has continued to operate safely and efficiently. In view of this positive experience, as well as the increasing demand for natural gas in Spain, Saggas and the Ministry of Industry decided to extend the financing in order to expand the production capacity of the plant.

The Sagunto Regasification Plant is owned by a consortium of leading users of natural gas in Spain (including three of the largest utilities), principally though not exclusively for power generation. Importantly, Saggas and all other LNG terminals in Spain (including BBG, another regasification plant that MBIA financed in northern Spain) are regulated as part of the gas distribution grid and not as part of the commercial gas supply chain.

The expansion financing was undertaken with the explicit support of the Ministry of Industry and had been highlighted as a key component of the Government's energy infrastructure plans.

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SF 000 0/07

MBIA Inc.
Quarterly Operating Supplement
December 31, 2007

Fourth Quarter 2007

MBIA INC. AND SUBSIDIARIES
QUARTERLY OPERATING SUPPLEMENT [1]

Fourth Quarter 2007

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(1) This report is unaudited.

Consolidated Balance Sheets
(dollars in thousands)

	December 31, 2007	December 31, 2006
Assets		
Investments:		
Fixed-Maturity Securities Held as Available-for-Sale, at Fair Value (Amortized Cost $30,199,471 and $27,327,315)(2007 includes hybrid financial instruments at fair value $596,537)	$29,589,098	$27,755,667
Investments Held-To-Maturity, at Amortized Cost (Fair Value $5,036,465 and $5,187,766)	5,053,987	5,213,464
Investments Pledged as Collateral, at Fair Value (Amortized Cost $1,243,245 and $176,179)	1,227,153	175,834
Short-Term Investments, at Amortized Cost	5,464,708	2,960,646
Other Investments	730,711	971,707
Total Investments	42,065,657	37,077,318
Cash and Cash Equivalents	263,732	269,277
Accrued Investment Income	590,060	526,468
Deferred Acquisition Costs	472,516	449,556
Prepaid Reinsurance Premiums	325,555	363,140
Reinsurance Recoverable on Unpaid Losses	82,041	46,941
Goodwill	79,406	79,406
Property and Equipment (Net of Accumulated Depreciation)	104,036	105,950
Receivable for Investments Sold	111,130	77,593
Derivative Assets	1,715,881	521,278
Current Income Taxes	142,763	-
Deferred Income Taxes, Net	1,173,658	-
Other Assets	288,639	246,103
Total Assets	$47,415,074	$39,763,030
Liabilities and Shareholders' Equity		
Liabilities:		
Deferred Premium Revenue	$ 3,138,396	$ 3,129,620
Loss and Loss Adjustment Expense Reserves	1,346,423	537,037
Investment Agreements	16,107,909	12,482,976
Commercial Paper	850,315	745,996
Medium-Term Notes (2007 includes hybrid financial instruments at fair value $374,575)	12,830,777	10,951,378
Variable Interest Entity Floating Rate Notes	1,355,792	1,451,928
Securities Sold Under Agreements to Repurchase	1,163,899	169,432
Short-Term Debt	13,383	40,898
Long-Term Debt	1,225,280	1,215,289
Current Income Taxes	-	6,970
Deferred Income Taxes, Net	-	476,189
Deferred Fee Revenue	15,059	14,862
Payable for Investments Purchased	41,359	319,640
Derivative Liabilities	5,006,549	400,318
Other Liabilities	664,128	616,243
Total Liabilities	43,759,269	32,558,776
Shareholders' Equity:		
Common Stock	160,245	158,330
Additional Paid-in Capital	1,649,511	1,533,102
Retained Earnings	4,301,880	6,399,333
Accumulated Other Comprehensive Income (Loss)	(490,829)	321,293
Treasury Stock	(1,965,002)	(1,207,804)
Total Shareholders' Equity	3,655,805	7,204,254
Total Liabilities and Shareholders' Equity	$47,415,074	$39,763,030

Consolidated Statements of Income

(dollars in thousands except per share)

	Three Months Ended December 31		Years Ended December 31	
Revenues:	**2007**	**2006**	**2007**	**2006**
Gross Premiums Written	$ 256,861	$ 266,730	$ 960,899	$ 885,253
Ceded Premiums	(27,765)	(21,060)	(100,117)	(98,591)
Net Premiums Written	229,096	245,670	860,782	786,662
Scheduled Premiums Earned	183,425	164,119	703,199	663,073
Refunding Premiums Earned	16,918	33,510	120,818	161,515
Premiums Earned	200,343	197,629	824,017	824,588
Net Investment Income	575,155	485,331	2,183,840	1,782,346
Fees and Reimbursements	9,309	13,142	56,841	66,475
Net Realized Gains (Losses)	24,062	(5,055)	51,324	15,438
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(3,028,575)	3,980	(3,404,976)	14,494
Insurance Recoveries	-	-	6,400	-
Total Revenues	(2,219,706)	695,027	(282,554)	2,703,341
Expenses:				
Losses and Loss Adjustment	836,690	20,054	900,345	80,889
Amortization of Deferred Acquisition Costs	16,759	15,850	66,873	66,012
Operating	59,806	71,565	238,872	241,303
Interest Expense	419,966	337,160	1,577,048	1,181,874
Total Expenses	1,333,221	444,629	2,783,138	1,570,078
Income (Loss) from Continuing Operations before Income Taxes	(3,552,927)	250,398	(3,065,692)	1,133,263
Provision (Benefit) for Income Taxes	(1,257,177)	71,914	(1,143,744)	320,080
Income (Loss) from Continuing Operations	(2,295,750)	178,484	(1,921,948)	813,183
Income from Discontinued Operations, Net of Tax	-	2,472	-	6,076
Gain on Sale of Discontinued Operations, Net of Tax	-	29	-	29
Net Income (Loss)	$ (2,295,750)	$ 180,985	$ (1,921,948)	$ 819,288
Net Income (Loss) per Common Share:				
Basic	$ (18.55)	$ 1.36	$ (15.17)	$ 6.17
Diluted	$ (18.55)	$ 1.32	$ (15.17)	$ 5.99
Weighted-Average Number of Common Shares Outstanding:				
Basic	123,739,225	132,898,187	126,670,332	132,794,334
Diluted	123,739,225	137,042,313	126,670,332	136,694,798

	Net Income (Loss) Per Diluted Share Information (1)			
Net Income (Loss)	$ (18.55)	$ 1.32	$ (15.17)	$ 5.99
Income from Discontinued Operations	0.00	0.02	0.00	0.04
Net Income (Loss) from Continuing Operations	(18.55)	1.30	(15.17)	5.95
Net Realized Gain (Losses)	0.13	(0.02)	0.26	0.07
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(15.91)	0.02	(17.47)	0.07
Estimated Credit Impairment on Insured Derivatives (2)	1.05	0.00	1.03	0.00
Operating Income (Loss)	(3.82)	1.31	1.01	5.81
Earnings from Refunded Issues	0.08	0.15	0.57	0.71
Operating Income (Loss) Excluding Refundings	$ (3.90)	$ 1.16	$ 0.44	$ 5.10
Pre-tax Operating Income (Loss) (2)	$ (748,414)	$ 251,473	$ 87,960	$ 1,103,331
After-tax Operating Income (Loss) (2)	$ (472,817)	$ 179,183	$ 127,926	$ 793,727

(1) May not add due to rounding.

(2) In 2007, operating income has been reduced by a pre-tax $200.0 million (after-tax $130.0 million) estimated credit impairment related to three CDO squared transactions.

Segment Results
(dollars in thousands)

	Three Months Ended December 31		Years Ended December 31	
Insurance Operations	**2007**	**2006**	**2007**	**2006**
Revenues:				
Gross Premiums Written	$ 267,480	$ 275,128	$ 998,863	$ 921,964
Ceded Premiums	(29,239)	(22,853)	(106,474)	(107,287)
Net Premiums Written	238,241	252,275	892,389	814,677
Scheduled Premiums Earned	192,571	170,724	734,806	691,088
Refunding Premiums Earned	16,917	33,510	120,818	161,515
Premiums Earned	209,488	204,234	855,624	852,603
Net Investment Income	146,815	146,624	572,786	581,103
Fees and Reimbursements	1,151	4,259	20,832	33,498
Total Insurance Revenues	357,454	355,117	1,449,242	1,467,204
Expenses:				
Losses and Loss Adjustment	836,690	20,054	900,345	80,889
Amortization of Deferred Acquisition Costs	16,759	15,850	66,873	66,012
Operating	35,130	46,295	133,259	155,863
Interest Expense	19,849	22,561	81,810	76,490
Total Insurance Expenses	908,428	104,760	1,182,287	379,254
Insurance Income (Loss)	(550,974)	250,357	266,955	1,087,950
Investment Management Services				
Revenues	435,541	343,123	1,630,291	1,211,540
Interest Expense	380,148	294,431	1,414,944	1,024,903
Net Revenues	55,393	48,692	215,347	186,637
Expenses	26,997	22,867	105,349	85,419
Investment Management Services Income	28,396	25,825	109,998	101,218
Corporate				
Net Investment Income	(238)	3,715	14,212	13,462
Insurance Recoveries	-	-	6,400	-
Interest Expense	20,193	20,189	80,740	80,685
Corporate Expenses	5,405	8,235	28,865	18,614
Corporate Loss	(25,836)	(24,709)	(88,993)	(85,837)
Gains and Losses				
Net Realized Gains (Losses)	24,062	(5,055)	51,324	15,438
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(3,028,575)	3,980	(3,404,976)	14,494
Net Gains and (Losses)	(3,004,513)	(1,075)	(3,353,652)	29,932
Income (Loss) from Continuing Operations before Income Taxes	$ (3,552,927)	$ 250,398	$ (3,065,692)	$ 1,133,263

Segment Results to Consolidated Income Statement Reconciliation
(dollars in thousands)

	Three Months Ended December 31, 2007					
	Insurance	Investment Management Services	Corporate	Subtotal	Eliminations [1]	Consolidated
Revenues:						
Gross Premiums Written	$ 267,480	$ -	$ -	$ 267,480	$ (10,619)	$ 256,861
Ceded Premiums	(29,239)	-	-	(29,239)	1,474	(27,765)
Net Premiums Written	238,241	-	-	238,241	(9,145)	229,096
Premiums Earned	209,488	-	-	209,488	(9,145)	200,343
Net Investment Income	146,815	424,530	(238)	571,107	4,048	575,155
Fees and Reimbursements	1,151	11,011	-	12,162	(2,853)	9,309
Net Realized Gains	17,189	2,617	4,256	24,062	-	24,062
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(3,258,089)	228,589	925	(3,028,575)	-	(3,028,575)
Insurance Recoveries	-	-	-	-	-	-
Total Revenues	(2,883,446)	666,747	4,943	(2,211,756)	(7,950)	(2,219,706)
Expenses:						
Losses and Loss Adjustment	836,690	-	-	836,690	-	836,690
Amortization of Deferred Acquisition Costs	16,759	-	-	16,759	-	16,759
Operating	35,130	26,997	5,405	67,532	(7,726)	59,806
Interest Expense	19,849	380,148	20,193	420,190	(224)	419,966
Total Expenses	908,428	407,145	25,598	1,341,171	(7,950)	1,333,221
Income (Loss) from Continuing Operations before Income Taxes	$ (3,791,874)	$ 259,602	$ (20,655)	$ (3,552,927)	$ -	(3,552,927)
Benefit for Income Taxes						(1,257,177)
Loss from Continuing Operations						(2,295,750)
Income from Discontinued Operations, Net of Tax						-
Net Loss						$ (2,295,750)

	Three Months Ended December 31, 2006					
	Insurance	Investment Management Services	Corporate	Subtotal	Eliminations [1]	Consolidated
Revenues:						
Gross Premiums Written	$ 275,128	$ -	$ -	$ 275,128	$ (8,398)	$ 266,730
Ceded Premiums	(22,853)	-	-	(22,853)	1,793	(21,060)
Net Premiums Written	252,275	-	-	252,275	(6,605)	245,670
Premiums Earned	204,234	-	-	204,234	(6,605)	197,629
Net Investment Income	146,624	331,307	3,715	481,646	3,685	485,331
Fees and Reimbursements	4,259	11,816	-	16,075	(2,933)	13,142
Net Realized Gains (Losses)	(6,951)	466	1,430	(5,055)	-	(5,055)
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(452)	4,439	(7)	3,980	-	3,980
Insurance Recoveries	-	-	-	-	-	-
Total Revenues	347,714	348,028	5,138	700,880	(5,853)	695,027
Expenses:						
Losses and Loss Adjustment	20,054	-	-	20,054	-	20,054
Amortization of Deferred Acquisition Costs	15,850	-	-	15,850	-	15,850
Operating	46,295	22,867	8,235	77,397	(5,832)	71,565
Interest Expense	22,561	294,431	20,189	337,181	(21)	337,160
Total Expenses	104,760	317,298	28,424	450,482	(5,853)	444,629
Income (Loss) from Continuing Operations before Income Taxes	$ 242,954	$ 30,730	$ (23,286)	$ 250,398	$ -	250,398
Provision for Income Taxes						71,914
Income from Continuing Operations						178,484
Income from Discontinued Operations, Net of Tax						2,472
Gain on Sale of Discontinued Operations, Net of Tax						29
Net Income						$ 180,985

(1) Eliminations include:

(a) Elimination of intercompany premium income and expense.

(b) Elimination of intercompany asset management fees and expenses.

(c) Elimination of intercompany interest income and expense pertaining to intercompany receivables and payables.

Segment Results to Consolidated Income Statement Reconciliation
(dollars in thousands)

	Year Ended December 31, 2007					
	Insurance	Investment Management Services	Corporate	Subtotal	Eliminations (1)	Consolidated
Revenues:						
Gross Premiums Written	$ 998,863	$ -	$ -	$ 998,863	$ (37,964)	$ 960,899
Ceded Premiums	(106,474)	-	-	(106,474)	6,357	(100,117)
Net Premiums Written	892,389	-	-	892,389	(31,607)	860,782
Premiums Earned	855,624	-	-	855,624	(31,607)	824,017
Net Investment Income	572,786	1,582,287	14,212	2,169,285	14,555	2,183,840
Fees and Reimbursements	20,832	48,004	-	68,836	(11,995)	56,841
Net Realized Gains (Losses)	55,644	668	(4,988)	51,324	-	51,324
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(3,605,617)	199,565	1,076	(3,404,976)	-	(3,404,976)
Insurance Recoveries	-	-	6,400	6,400	-	6,400
Total Revenues	(2,100,731)	1,830,524	16,700	(253,507)	(29,047)	(282,554)
Expenses:						
Losses and Loss Adjustment	900,345	-	-	900,345	-	900,345
Amortization of Deferred Acquisition Costs	66,873	-	-	66,873	-	66,873
Operating	133,259	105,349	28,865	267,473	(28,601)	238,872
Interest Expense	81,810	1,414,944	80,740	1,577,494	(446)	1,577,048
Total Expenses	1,182,287	1,520,293	109,605	2,812,185	(29,047)	2,783,138
Income (Loss) from Continuing Operations before Income Taxes	$ (3,283,018)	$ 310,231	$ (92,905)	$ (3,065,692)	$ -	(3,065,692)
Benefit for Income Taxes						(1,143,744)
Loss from Continuing Operations						(1,921,948)
Income from Discontinued Operations, Net of Tax						-
Net Loss						$ (1,921,948)

	Year Ended December 31, 2006					
	Insurance	Investment Management Services	Corporate	Subtotal	Eliminations (1)	Consolidated
Revenues:						
Gross Premiums Written	$ 921,964	$ -	$ -	$ 921,964	$ (36,711)	$ 885,253
Ceded Premiums	(107,287)	-	-	(107,287)	8,696	(98,591)
Net Premiums Written	814,677	-	-	814,677	(28,015)	786,662
Premiums Earned	852,603	-	-	852,603	(28,015)	824,588
Net Investment Income	581,103	1,167,241	13,462	1,761,806	20,540	1,782,346
Fees and Reimbursements	33,498	44,299	-	77,797	(11,322)	66,475
Net Realized Gains	5,615	6,060	3,763	15,438	-	15,438
Net Gains on Financial Instruments at Fair Value and Foreign Exchange	904	13,162	428	14,494	-	14,494
Insurance Recoveries	-	-	-	-	-	-
Total Revenues	1,473,723	1,230,762	17,653	2,722,138	(18,797)	2,703,341
Expenses:						
Losses and Loss Adjustment	80,889	-	-	80,889	-	80,889
Amortization of Deferred Acquisition Costs	66,012	-	-	66,012	-	66,012
Operating	155,863	85,419	18,614	259,896	(18,593)	241,303
Interest Expense	76,490	1,024,903	80,685	1,182,078	(204)	1,181,874
Total Expenses	379,254	1,110,322	99,299	1,588,875	(18,797)	1,570,078
Income (Loss) from Continuing Operations before Income Taxes	$ 1,094,469	$ 120,440	$ (81,646)	$ 1,133,263	$ -	1,133,263
Provision for Income Taxes						320,080
Income from Continuing Operations						813,183
Income from Discontinued Operations, Net of Tax						6,076
Gain on Sale of Discontinued Operations, Net of Tax						29
Net Income						$ 819,288

(1) Eliminations include:

(a) Elimination of intercompany premium income and expense.

(b) Elimination of intercompany asset management fees and expenses.

(c) Elimination of intercompany interest income and expense pertaining to intercompany receivables and payables.

Summary Financial Information
(dollars in thousands except per share)

GAAP Basis	4th Quarter				Year-to-date			
	2007		2006		2007		2006	
Financial Ratios								
Loss and LAE Ratio		399.4%		9.8%		105.2%		9.5%
Underwriting Expense Ratio		24.8%		30.4%		23.4%		26.0%
Combined Ratio		424.2%		40.2%		128.6%		35.5%
Share Data								
Book Value		$29.16		$53.43		$29.16		$53.43
Deferred Premium Revenue	16.27		15.09		16.27		15.09	
Prepaid Reinsurance Premiums	(1.69)		(1.75)		(1.69)		(1.75)	
Deferred Acquisition Costs	(2.45)		(2.17)		(2.45)		(2.17)	
Net Deferred Premium Revenue		12.13		11.17		12.13		11.17
Present Value of Installment Premiums[1]		13.68		11.13		13.68		11.13
Asset/Liability Products Adjustment		8.78		2.92		8.78		2.92
Loss Provision [2]		(3.39)		(2.93)		(3.39)		(2.93)
Adjusted Book Value		$60.36		$75.72		$60.36		$75.72
Dividends:								
Declared		$0.340		$0.310		$1.360		$1.240
Paid		$0.340		$0.310		$1.330		$1.210
Common Shares Outstanding								
Weighted-Average (Diluted) (000)		123,739		137,042		126,670		136,695
Actual (000)		125,372		134,835		125,372		134,835
Effective Tax Rates								
Net Investment Income[3]		23.6%		22.5%		23.7%		23.3%
Underwriting and Other Income (Loss)		(34.8)%		38.5%		(34.8)%		35.0%
Total Income (Loss)		(35.4)%		28.7%		(37.3)%		28.2%

Statutory Basis	4th Quarter		Year-to-date	
Financial Ratios	2007	2006	2007	2006
Loss and LAE Ratio	476.4%	41.9%	114.2%	12.6%
Underwriting Expense Ratio	23.7%	30.8%	24.9%	29.8%
Combined Ratio	500.1%	72.7%	139.1%	42.4%

	12/31/2007	12/31/2006
Balance Sheet		
Capital and Surplus	$3,666,089	$4,080,632
Contingency Reserve	2,718,916	2,478,064
Capital Base	6,385,005	6,558,696
Unearned Premium Reserve	3,762,768	3,507,229
Present Value of Installment Premiums[1]	2,638,669	2,309,433
Premium Resources	6,401,437	5,816,662
Loss and LAE Reserves	926,057	100,645
Soft Capital Credit Facilities	850,000	850,000
Total Claims-Paying Resources	$14,562,499	$13,326,003
Net Debt Service Outstanding	$1,021,925,169	$939,968,993
Capital Ratio [4]	160:1	143:1
Claims-Paying Ratio [5]	83:1	83:1

(1) At December 31, 2007 and December 31, 2006 the discount rate was 5.06% and 5.10%, respectively.

(2) The loss provision is calculated by applying 12% to the following items on an after-tax basis: deferred premium revenue; prepaid reinsurance premiums; and the present value of installment premiums.

(3) Includes net investment income and net realized gains or losses from the Insurance, Investment Management Services, and Corporate operations.

(4) Net debt service outstanding divided by the capital base.

(5) Net debt service outstanding divided by the sum of the capital base, unearned premium reserve (after-tax), present value of installment premiums (after-tax), loss and LAE reserves, and soft capital credit facilities.

Annual Financial and Statistical Data [1]

(dollars in millions except per share amounts)

	2007	2006	2005	2004	2003
GAAP Summary Income Statement Data					
Gross Premiums Written	$ 961	$ 885	$ 976	$ 1,110	$ 1,263
Premiums Earned	824	825	834	843	768
Net Investment Income	2,184	1,782	1,367	1,032	845
Net Gains (Losses) on Financial Instruments at Fair Value and Foreign Exchange	(3,405)	14	38	(3)	95
Revenues from Continuing Operations	(283)	2,703	2,296	2,047	1,875
Losses and LAE Incurred	900	81	84	85	77
Interest Expense	1,577	1,182	822	522	400
Expenses from Continuing Operations	2,783	1,570	1,279	876	713
Income From Continuing Operations Before Income Taxes	(3,066)	1,133	1,017	1,171	1,162
Income From Continuing Operations After Income Taxes	(1,922)	813	713	839	822
Net Income	(1,922)	819	711	843	825
Net Income Per Common Share:					
Basic	$ (15.17)	$ 6.17	$ 5.30	$ 5.94	$ 5.75
Diluted	$ (15.17)	$ 5.99	$ 5.18	$ 5.82	$ 5.69
GAAP Summary Balance Sheet Data					
Total Investments	$ 42,066	$ 37,077	$ 32,150	$ 30,614	$ 28,248
Total Assets	47,415	39,763	34,561	33,036	30,301
Deferred Premium Revenue	3,138	3,130	3,185	3,211	3,080
Loss and LAE Reserves	1,346	537	722	749	712
Investment Agreements	16,108	12,483	10,806	8,679	6,959
Commercial Paper	850	746	860	2,599	2,640
Medium-Term Notes	12,831	10,951	7,542	6,944	7,092
Long-Term Debt	1,225	1,215	1,206	1,327	1,016
Shareholders' Equity	3,656	7,204	6,592	6,559	6,150
Book Value Per Share	29.16	53.43	49.17	47.05	42.75
Dividends Declared Per Common Share	$ 1.360	$ 1.240	$ 1.120	$ 0.960	$ 0.800
Statutory Data					
Net Income	$ 171	$ 669	$ 633	$ 769	$ 669
Capital and Surplus	3,666	4,081	3,800	3,280	3,715
Contingency Reserve	2,719	2,478	2,769	2,705	2,368
Capital Base	6,385	6,559	6,569	5,985	6,083
Unearned Premium Reserve	3,763	3,507	3,508	3,391	3,067
Present Value of Installment Premiums	2,639	2,309	2,171	2,170	2,158
Premium Resources	6,402	5,816	5,679	5,561	5,225
Loss and LAE Reserves	926	101	318	272	200
Soft Capital Credit Facilities	850	850	850	1,100	1,236
Total Claims-Paying Resources	14,563	13,326	13,416	12,918	12,744
Financial Ratios					
GAAP					
Loss and LAE Ratio	105.2%	9.5%	9.7%	9.7%	9.9%
Underwriting Expense Ratio	23.4	26.0	24.0	21.0	22.0
Combined Ratio	128.6	35.5	33.8	30.7	31.9
Statutory					
Loss and LAE Ratio	114.2	12.6	25.5	17.1	9.2
Underwriting Expense Ratio	24.9	29.8	21.9	17.9	12.8
Combined Ratio	139.1	42.4	47.4	35.0	22.0
Other Financial Information					
Adjusted Book Value Per Share	$ 60.36	75.72	$ 70.62	$ 66.34	$ 59.84
Net Debt Service Outstanding	$ 1,021,925	939,969	$ 889,019	$ 890,222	$ 835,774
Net Par Amount Outstanding	$ 678,661	617,553	$ 585,003	$ 585,575	$ 541,026

[1] All periods presented exclude discontinued operations, where applicable.

Direct Par Value and Adjusted Direct Premiums [1] [2]
(dollars in millions)

	4th Quarter		Year-to-Date	
Global Public Finance	**2007**	**2006**	**2007**	**2006**
United States				
Par Value Insured	$16,948	$16,560	$54,997	$46,627
ADP	$147.6	$130.9	$406.7	$320.1
Non-United States				
Par Value Insured	365	3,089	6,424	7,162
ADP	2.7	125.0	190.4	258.8
Total Global Public Finance				
Par Value Insured	17,313	19,649	61,421	53,789
ADP	150.3	255.9	597.1	578.9
Global Structured Finance				
United States				
Par Value Insured	4,883	18,233	87,864	45,767
ADP	84.1	126.7	696.6	290.1
Non-United States				
Par Value Insured	1,593	8,998	18,601	21,955
ADP	28.0	38.6	203.2	161.8
Total Global Structured Finance				
Par Value Insured	6,476	27,231	106,465	67,722
ADP	112.1	165.3	899.8	451.9
United States				
Par Value Insured	21,831	34,793	142,861	92,394
ADP	231.7	257.6	1,103.3	610.2
Non-United States				
Par Value Insured	1,958	12,087	25,025	29,117
ADP	30.7	163.6	393.6	420.6
Grand Totals				
Par Value Insured	23,789	46,880	167,886	$121,511
ADP	$262.4	$421.2	$1,496.9	$1,030.8

Reconciliation of Adjusted Direct Premiums to Net Premiums Earned
(dollars in millions)

	4th Quarter		Year-to-Date	
	2007	**2006**	**2007**	**2006**
Adjusted direct premiums (1)	$262.4	$421.2	$1,496.9	$1,030.8
Adjusted assumed premiums	-	0.8	-	6.5
Adjusted gross premiums	262.4	422.0	1,496.9	1,037.3
Present value of estimated future installment premiums (2)	(161.4)	(305.3)	(1,104.8)	(686.6)
Gross upfront premiums written	101.0	116.7	392.1	350.7
Gross installment premiums written	166.5	158.4	606.8	571.3
Gross premiums written	267.5	275.1	998.9	922.0
Ceded premium written	(29.3)	(22.8)	(106.5)	(107.3)
Net premiums written	238.2	252.3	892.4	814.7
Change in unearned premium reserve (3)	(28.7)	(48.1)	(36.8)	37.9
Net premiums earned	$209.5	$204.2	$855.6	$852.6

(1) Adjusted direct premiums, a non-GAAP measure, represents upfront premiums and the estimated present value of current and future installment premiums for policies issued in the period.
(2) At December 31, 2007 the discount rate was 5.06% and at December 31, 2006 the discount rate was 5.10%.
(3) The change in the unearned premium reserve is the amount by which current period deferred premiums are greater than or less than previously deferred premiums that are now being amortized into earned premium.

Gross Premiums Written
(dollars in millions)

	4th Quarter		Year-to-Date	
Global Public Finance	**2007**	**2006**	**2007**	**2006**
United States				
Upfront	$ 99.9	$ 85.6	$ 341.5	$ 257.2
Installments	16.6	16.3	36.7	36.4
Total Gross Premiums	116.5	101.9	378.2	293.6
Non-United States				
Upfront	-	31.2	49.4	93.3
Installments	22.5	42.9	110.9	124.7
Total Gross Premiums	22.5	74.1	160.3	218.0
Total Global Public Finance				
Upfront	99.9	116.8	390.9	350.5
Installments	39.1	59.2	147.6	161.1
Total Gross Premiums	139.0	176.0	538.5	511.6
Global Structured Finance				
United States				
Upfront	1.0	-	1.2	0.3
Installments	89.1	65.5	302.0	262.1
Total Gross Premiums	90.1	65.5	303.2	262.4
Non-United States				
Upfront	-	-	-	-
Installments	38.4	33.6	157.2	148.0
Total Gross Premiums	38.4	33.6	157.2	148.0
Total Global Structured Finance				
Upfront	1.0	-	1.2	0.3
Installments	127.5	99.1	459.2	410.1
Total Gross Premiums	128.5	99.1	460.4	410.4
United States				
Upfront	100.9	85.6	342.7	257.5
Installments	105.7	81.8	338.7	298.5
Total Gross Premiums	206.6	167.4	681.4	556.0
Non-United States				
Upfront	-	31.2	49.4	93.3
Installments	60.9	76.5	268.1	272.7
Total Gross Premiums	60.9	107.7	317.5	366.0
Grand Totals				
Upfront	100.9	116.8	392.1	350.8
Installments	166.6	158.3	606.8	571.2
Total Gross Premiums	$ 267.5	$ 275.1	$ 998.9	$ 922.0

Debt Service and Premiums
(dollars in millions)

Debt Service (Principal and Interest)

	Insured			Net	Ending Net
	Gross	Ceded	Net	Retired	Outstanding
4th Qtr. 2007	$41,428	$3,410	$38,018	$24,668	$1,021,925
3rd	75,721	9,648	66,073	35,545	1,008,575
2nd	68,951	8,917	60,034	39,626	978,047
1st	53,890	2,060	51,830	34,160	957,639
4th Qtr. 2006	70,277	6,247	64,030	24,411	939,969
3rd	46,188	2,842	43,346	38,268	900,350
2nd	51,035	4,198	46,837	28,632	895,272
1st	20,847	1,279	19,568	31,520	877,067
YTD 2007	239,990	24,035	215,955	133,999	1,021,925
2006	188,347	14,566	173,781	122,831	939,969
2005	179,050	19,028	160,022	161,225	889,019
2004	155,334	4,627	150,707	96,259	890,222
2003	175,008	19,200	155,808	101,623	835,774
2002	198,624	36,643	161,981	102,800	781,589
2001	171,044	27,623	143,421	101,891	722,408
2000	157,821	30,969	126,852	81,857	680,878
1999	151,122	37,175	113,947	73,959	635,883
1998	183,547	40,400	143,147	60,988	595,895
1997	157,224	18,561	138,663	59,344	513,736
1996	129,715	14,605	115,110	39,868	434,417

Premiums (GAAP Basis)

	Written			Net	Ending Net
	Gross	Ceded (1)	Net (1)	Earned (1)	Unearned (2)
4th Qtr. 2007	$267.5	$29.3	$238.2	$209.5	$2,812.8
3rd	255.2	26.0	229.2	207.2	2,786.7
2nd	252.9	28.1	224.8	224.5	2,759.4
1st	223.3	23.1	200.2	214.4	2,753.4
4th Qtr. 2006	275.1	22.8	252.3	204.2	2,766.5
3rd	207.5	28.4	179.1	215.7	2,711.0
2nd	258.5	29.5	229.0	221.5	2,737.4
1st	180.9	26.6	154.3	211.2	2,721.9
YTD 2007	998.9	106.5	892.4	855.6	2,812.8
2006	922.0	107.3	814.7	852.6	2,766.5
2005	1,018.0	138.5	879.5	864.4	2,777.6
2004	1,151.1	171.9	979.2	870.8	2,776.2
2003	1,278.4	197.6	1,080.8	778.9	2,689.1
2002	951.9	150.0	801.9	618.5	2,376.5
2001	865.2	188.4	676.8	546.9	2,182.5
2000	687.4	153.4	534.0	464.8	2,055.6
1999	624.9	108.0	516.9	457.1	1,990.7
1998	677.1	117.9	559.2	428.7	1,932.6
1997	653.8	116.5	537.3	351.5	1,800.9
1996	535.3	70.0	465.3	294.0	1,618.8

(1) Includes the reversal of amounts ceded to Channel Re in proportion to MBIA's ownership interest, which is carried on an equity-method accounting basis.
(2) Equals deferred premium revenue less prepaid reinsurance premiums.

Net Debt Service Amortization
As of December 31, 2007
(dollars in millions)

	Scheduled Net Debt Service Amortization	Ending Net Debt Service Outstanding
4th Qtr. 2007		$ 1,021,925
1st Qtr. 2008	18,853	1,003,072
2nd Qtr. 2008	16,718	986,354
3rd Qtr. 2008	17,671	968,683
4th Qtr. 2008	16,549	952,134
2009	70,028	882,106
2010	62,028	820,078
2011	69,614	750,464
2012	63,797	686,667
2013-2017	248,330	438,337
2018-2022	175,809	262,528
2023-2027	115,800	146,728
2028 and thereafter	146,728	-
Total	$ 1,021,925	

Net Unearned Premium Amortization and Estimated Future Installment Premiums
As of December 31, 2007
(dollars in millions)

	Net Unearned Premiums [1]	Net Unearned Premium Amortization		Expected Installments [2]	Total Premium Earnings [3]
		Upfront	Installments		
4th Qtr. 2007	$ 2,812.8				
1st Qtr. 2008	2,688.3	63.7	60.8	62.8	187.3
2nd Qtr. 2008	2,609.3	62.4	16.6	105.2	184.2
3rd Qtr. 2008	2,539.9	60.6	8.8	110.0	179.4
4th Qtr. 2008	2,473.8	59.4	6.7	109.3	175.4
2009	2,227.5	225.4	20.9	404.3	650.6
2010	2,003.1	207.3	17.1	361.3	585.7
2011	1,798.8	189.5	14.8	331.0	535.3
2012	1,613.1	173.1	12.6	291.7	477.4
2013-2017	1,014.9	555.7	42.5	719.7	1,317.9
2018-2022	527.4	450.7	36.8	430.4	917.9
2023-2027	247.3	256.6	23.5	312.9	593.0
2028 and thereafter	-	227.0	20.3	487.3	734.6
Total		$ 2,531.4	$ 281.4	$ 3,725.9	$ 6,538.7

(1) Equals deferred premium revenue less prepaid reinsurance premiums.

(2) Represents installment-based future undiscounted collections.

(3) Actual future premium earnings will differ from the current projection due to the addition of new business, changes in prepayment speeds, early terminations and refundings.

Premiums Earned Analysis
(dollars in thousands)

2007	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Global Public Finance					
United States					
Upfront	$92,246	$93,432	$67,643	$71,570	$324,891
Installment	7,383	6,887	9,549	4,826	28,645
Total	99,629	100,319	77,192	76,396	353,536
Non-United States					
Upfront	10,070	9,034	9,087	8,738	36,929
Installment	18,394	19,338	20,916	20,891	79,539
Total	28,464	28,372	30,003	29,629	116,468
Total Global Public Finance					
Upfront	102,316	102,466	76,730	80,308	361,820
Installment	25,777	26,225	30,465	25,717	108,184
Total	128,093	128,691	107,195	106,025	470,004
Global Structured Finance					
United States					
Upfront	1,556	1,037	654	538	3,785
Installment	56,240	59,565	66,321	71,958	254,084
Total	57,796	60,602	66,975	72,496	257,869
Non-United States					
Upfront	1,997	900	833	769	4,499
Installment	26,540	34,275	32,239	30,198	123,252
Total	28,537	35,175	33,072	30,967	127,751
Total Global Structured Finance					
Upfront	3,553	1,937	1,487	1,307	8,284
Installment	82,780	93,840	98,560	102,156	377,336
Total	86,333	95,777	100,047	103,463	385,620
Grand Totals					
Upfront	105,869	104,403	78,217	81,615	370,104
Installment	108,557	120,065	129,025	127,873	485,520
Total	$214,426	$224,468	$207,242	$209,488	$855,624

2006	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Global Public Finance					
United States					
Upfront	$84,336	$94,276	$95,193	$89,731	$363,536
Installment	6,286	6,266	6,615	6,789	25,956
Total	90,622	100,542	101,808	96,520	389,492
Non-United States					
Upfront	9,347	19,337	7,336	9,092	45,112
Installment	17,254	17,335	18,624	15,952	69,165
Total	26,601	36,672	25,960	25,044	114,277
Total Global Public Finance					
Upfront	93,683	113,613	102,529	98,823	408,648
Installment	23,540	23,601	25,239	22,741	95,121
Total	117,223	137,214	127,768	121,564	503,769
Global Structured Finance					
United States					
Upfront	1,447	1,653	1,067	1,369	5,536
Installment	56,024	53,985	57,133	53,416	220,558
Total	57,471	55,638	58,200	54,785	226,094
Non-United States					
Upfront	2,857	927	870	902	5,556
Installment	33,637	27,702	28,862	26,982	117,183
Total	36,494	28,629	29,732	27,884	122,739
Total Global Structured Finance					
Upfront	4,304	2,580	1,937	2,271	11,092
Installment	89,661	81,687	85,995	80,398	337,741
Total	93,965	84,267	87,932	82,669	348,833
Grand Totals					
Upfront	97,987	116,193	104,466	101,094	419,740
Installment	113,201	105,288	111,234	103,139	432,862
Total	$211,188	$221,481	$215,700	$204,233	$852,602

Effect of Refundings and Other Accelerations

(dollars in thousands except per share)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
2007					
Refunding Premiums Earned	$39,797	$45,935	$18,169	$16,917	$120,818
Net Income Effect (1)	23,824	27,499	10,877	10,117	72,317
Net Income Per Common Share Effect	$0.18	$0.21	$0.09	$0.08	$0.57
2006					
Refunding Premiums Earned	$38,184	$47,606	$42,215	$33,510	$161,515
Net Income Effect (1)	22,859	28,499	25,272	20,061	96,691
Net Income Per Common Share Effect	$0.17	$0.21	$0.18	$0.15	$0.71

(1) Net of deferred acquisition costs and taxes.

Investment Portfolio

As of December 31, 2007

(dollars in thousands)

Investments	Market Value	% of Market Value	Amortized Cost	Pre-tax Yield [2]	Annualized Income [3]
Fixed-Maturity Securities:					
Tax Exempt	$ 5,490,005	51%	$ 5,347,314	4.70%	$ 251,324
Taxable	3,826,354	36	3,716,915	5.45	202,572
Short-Term	1,353,581	13	1,353,581	4.79	64,672
Total Insurance Fixed Income	10,669,940	100%	$ 10,417,810	4.98%	$ 518,568
Other [1]	730,711				
	11,400,651				
Total Other Fixed Income [4]	25,611,019				
Investments Held-to-Maturity [5]	5,053,987				
Total Investments	$ 42,065,657				

Maturity	Market Value	% of Market Value
Within 1 Year	$ 1,353,581	12.7%
1 to 5 Years	3,455,075	32.4
5 to 10 Years	1,722,038	16.1
10 to 15 Years	825,628	7.7
15 to 20 Years	638,437	6.0
More than 20 Years	2,675,181	25.1
Total Insurance Fixed Income	$ 10,669,940	100.0%

Long-Term average maturity: 9.30 years

Duration: 5.20 years

Quality Distribution of Long-Term Fixed Income Investments

Rating	% of Market Value
Aaa	65%
Aa	27
A	7
Baa	1
	100%

(1) Primarily equity investments.

(2) Estimated pre-tax yield on assets (based on amortized cost) at the end of the reporting quarter.

(3) Before taxes, if applicable, based on indicated yields.

(4) Includes Investment Agreement and Medium-Term Note portfolios.

(5) Represents Conduit and Variable Interest Entity investments at amortized cost.

Insurance Operations Net Investment Income

(dollars in thousands)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
2007					
Investment income	120,714	122,230	122,287	127,319	492,550
VIE and other investment income [1]	21,464	20,154	19,122	19,496	80,236
Net investment income	$ 142,178	$ 142,384	$ 141,409	$ 146,815	$ 572,786
2006					
Investment income	121,553	123,196	126,489	128,014	499,252
VIE and other investment income [1]	12,274	16,695	34,272	18,610	81,851
Net investment income	$ 133,827	$ 139,891	$ 160,761	$ 146,624	$ 581,103

(1) Includes investment income related to variable interest entities and assets received in connection with a remediation.

Return on Equity

Quarter Ended	Reported[1]	Operating[2]
December 31, 2007	-30.8%	1.9%
September 30	8.2%	11.8%
June 30	12.0%	12.0%
March 31	12.0%	12.2%
December 31, 2006	11.9%	12.1%
September 30	12.1%	12.6%
June 30	11.2%	12.4%
March 31	10.7%	12.4%
December 31, 2005	10.8%	12.5%
December 31, 2004	13.3%	13.4%
December 31, 2003	14.3%	13.7%

(1) Trailing twelve months of Net Income divided by average Shareholders' Equity
(2) Trailing twelve months of Operating Income divided by average Shareholders' Equity (excluding non-operating items). All periods presented exclude the results of discontinued operations.

Investment Management Services
Average Assets Under Management[1]
(dollars in thousands)

	Conduits		Other Assets Under Management		Total Assets Under Management	
	Quarter	Year-to-Date	Quarter	Year-to-Date	Quarter	Year-to-Date
December 31, 2007	$ 4,349,261	$ 4,277,289	$ 60,576,555	$ 61,807,354	$ 64,925,816	$ 66,084,643
September 30	4,592,382	4,253,299	62,543,845	62,217,624	67,136,227	66,470,923
June 30	4,129,690	4,083,758	62,773,841	62,054,512	66,903,531	66,138,270
March 31	4,037,825	4,037,825	61,335,183	61,335,183	65,373,008	65,373,008
December 31, 2006	3,831,317	3,863,602	57,446,556	52,123,358	61,277,873	55,986,960
September 30	3,707,714	3,874,364	52,491,398	50,349,442	56,199,112	54,223,806
June 30	3,782,249	3,957,689	50,435,560	49,275,800	54,217,809	53,233,489
March 31	4,133,129	4,133,129	48,116,040	48,116,040	52,249,169	52,249,169
December 31, 2005		5,665,435		43,508,483		49,173,918
December 31, 2004		6,904,694		37,408,105		44,312,799
December 31, 2003		8,760,814		32,675,546		41,436,360
December 31, 2002				29,441,386		29,441,386
December 31, 2001				27,166,925		27,166,925
December 31, 2000				22,289,303		22,289,303
December 31, 1999				18,297,254		18,297,254
December 31, 1998				15,740,664		15,740,664
December 31, 1997				12,326,177		12,326,177
December 31, 1996				10,238,784		10,238,784
December 31, 1995				4,782,308		4,782,308
December 31, 1994				3,094,391		3,094,391
December 31, 1993				1,182,125		1,182,125
December 31, 1992				630,803		630,803
December 31, 1991				166,437		166,437
January 17, 1991 (inception)						

(1) The Conduits were acquired in September 2003.

Insured Portfolio Losses and Mark-to-Market

(dollars in thousands)

2007	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Loss and Loss Adjustment Expense (LAE) Reserves					
Beginning Unallocated Reserves	$ 213,319	$ 199,868	$ 203,224	$ 213,732	$ 213,319
Formula Provision [1]	20,484	20,968	22,203	23,108	86,763
Additional Loss and LAE Incurred[2]	-	-	-	813,582	813,582
Channel Re Elimination[3]	(213)	(267)	(273)	(298)	(1,051)
Case Activity	(33,722)	(17,345)	(11,422)	(615,581)	(678,070)
Ending Unallocated Reserves	199,868	203,224	213,732	434,543	434,543
Beginning Net Case Reserves	276,777	286,281	268,778	280,674	276,777
Case Activity	33,722	17,345	11,422	615,581	678,070
Net (Payments) Recoveries	(24,218)	(34,848)	474	(66,416)	(125,008)
Ending Net Case Reserves	286,281	268,778	280,674	829,839	829,839
Net Loss and LAE Reserves	486,149	472,002	494,406	1,264,382	1,264,382
Ceded Loss and LAE Reserves	47,625	48,078	50,673	82,041	82,041
Gross Loss and LAE Reserves	$ 533,774	$ 520,080	$ 545,079	$ 1,346,423	$ 1,346,423
Insured Derivatives Credit Impairment					
Beginning Net Derivatives Impairment Reserves	$ -	$ -	$ -	$ -	$ -
Credit Impairments [4]	-	-	-	200,000	200,000
Net (Payments) Recoveries	-	-	-	-	-
Ending Net Derivatives Impairment Reserves	-	-	-	200,000	200,000
Ceded Derivatives Impairment Reserves	-	-	-	47,654	47,654
Gross Derivatives Impairment Reserves	$ -	$ -	$ -	$ 247,654	$ 247,654
Total Insured Portfolio Losses					
Total Net Ending Reserves	$ 486,149	$ 472,002	$ 494,406	$ 1,464,382	$ 1,464,382
Total Ceded Ending Reserves	47,625	48,078	50,673	129,695	129,695
Total Gross Ending Reserves	$ 533,774	$ 520,080	$ 545,079	$ 1,594,077	$ 1,594,077

(1) Represents the Company's provision for losses calculated as 12% of scheduled net earned premium.
(2) Represents losses incurred for case basis and non-specific RMBS activity.
(3) Represents the amount of losses and LAE incurred that have been eliminated in proportion to MBIA's ownership interest, which is carried on an equity method accounting basis.
(4) Represents estimated impairments of insured credit default swap contracts.

2007	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Insured Derivatives Mark-to-Market					
Beginning Net Derivative Asset/(Liability)	$ 3,240	$ 1,220	$ (13,074)	$ (355,184)	$ 3,240
Unrealized Loss	(2,020)	(14,294)	(342,110)	(3,169,833)	(3,528,257)
Credit Impairments [1]	-	-	-	(200,000)	(200,000)
Income Statement Mark-to-Market	(2,020)	(14,294)	(342,110)	(3,369,833)	(3,728,257)
Ending Net Derivative Asset/(Liability)	$ 1,220	$ (13,074)	$ (355,184)	$ (3,725,017)	$ (3,725,017)

(1) Represents estimated impairments of insured credit default swap contracts.

Insured Portfolio Losses and Mark-to-Market
(dollars in thousands)

2006	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Loss and Loss Adjustment Expense (LAE) Reserves					
Beginning Unallocated Reserves	$ 208,614	$ 217,885	$ 256,548	$ 259,371	$ 208,614
Formula Provision [1]	20,126	20,295	20,414	20,054	80,889
Additional Loss and LAE Incurred	-	-	-	-	-
Channel Re Elimination [2]	(205)	(363)	(321)	(290)	(1,179)
Case Activity	(10,650)	18,731	(17,270)	(65,816)	(75,005)
Ending Unallocated Reserves	217,885	256,548	259,371	213,319	213,319
Beginning Net Case Reserves	453,923	453,143	407,273	419,256	453,923
Case Activity	10,650	(18,731) [3]	17,270	65,816	75,005
Net (Payments) Recoveries	(11,430)	(27,139)	(5,287)	(208,295) [4]	(252,151)
Ending Net Case Reserves	453,143	407,273	419,256	276,777	276,777
Net Loss and LAE Reserves	671,028	663,821	678,627	490,096	490,096
Ceded Loss and LAE Reserves	59,324	44,472	47,002	46,941	46,941
Gross Loss and LAE Reserves	$ 730,352	$ 708,293	$ 725,629	$ 537,037	$ 537,037
Insured Derivatives Credit Impairment					
Beginning Net Derivatives Impairment Reserves	$ -	$ -	$ -	$ -	$ -
Credit Impairments [5]	-	-	-	-	-
Net (Payments) Recoveries	-	-	-	-	-
Ending Net Derivatives Impairment Reserves	-	-	-	-	-
Ceded Derivatives Impairment Reserves	-	-	-	-	-
Gross Derivatives Impairment Reserves	$ -	$ -	$ -	$ -	$ -
Total Insured Portfolio Losses					
Total Net Ending Reserves	$ 671,028	$ 663,821	$ 678,627	$ 490,096	$ 490,096
Total Ceded Ending Reserves	59,324	44,472	47,002	46,941	46,941
Total Gross Ending Reserves	$ 730,352	$ 708,293	$ 725,629	$ 537,037	$ 537,037

(1) Represents the Company's provision for losses calculated as 12% of scheduled net earned premium.
(2) Represents the amount of losses and LAE incurred that have been eliminated in proportion to MBIA's ownership interest, which is carried on an equity method accounting basis.
(3) Includes a reduction of case reserves related to Northwest Airlines.
(4) Includes payments related to insured notes backed by tax liens originated by Capital Asset and a CDO transaction for which reserves were previously established.
(5) Represents estimated impairments of insured credit default swap contracts.

2006	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Insured Derivatives Mark-to-Market					
Beginning Net Derivative Asset/(Liability)	$ 8,216	$ 12,255	$ 9,364	$ 3,253	$ 8,216
Unrealized Gain/(Loss)	4,039	(2,891)	(6,111)	(13)	(4,976)
Credit Impairments [1]	-	-	-	-	-
Income Statement Mark-to-Market	4,039	(2,891)	(6,111)	(13)	(4,976)
Ending Net Derivative Asset/(Liability)	$ 12,255	$ 9,364	$ 3,253	$ 3,240	$ 3,240

(1) Represents estimated impairments of insured credit default swap contracts.

Insurance Expense Analysis
(dollars in thousands)

2007	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Compensation	$ 39,898	$ 39,674	$ 36,123	$ 38,081	$ 153,776
Fees and Professional Services	5,269	4,309	5,936	8,177	23,691
Building and Equipment	5,689	5,857	5,925	5,941	23,412
Loss Prevention Expenses	1,158	1,147	(127)	376	2,554
Premium Taxes	3,027	5,457	5,956	5,050	19,490
Other	6,117	6,449	5,614	6,925	25,105
Gross Insurance Expenses	61,158	62,893	59,427	64,550	248,028
Ceding Commissions (Received)	(5,596)	(6,805)	(6,121)	(7,279)	(25,801)
Net Insurance Expenses	55,562	56,088	53,306	57,271	222,227
Deferred Acquisition Costs	(22,993)	(21,045)	(22,789)	(22,141)	(88,968)
Operating Expenses	$ 32,569	$ 35,043	$ 30,517	$ 35,130	$ 133,259

2006	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Compensation	$ 36,665	$ 40,568	$ 39,593	$ 49,414	$ 166,240
Fees and Professional Services	5,810	5,033	4,441	5,985	21,269
Building and Equipment	6,165	6,475	6,149	6,503	25,292
Loss Prevention Expenses	2,954	1,078	3,759	5,064	12,855
Premium Taxes	3,752	4,021	4,021	4,967	16,761
Other	6,486	6,597	5,438	7,416	25,937
Gross Insurance Expenses	61,832	63,772	63,401	79,349	268,354
Ceding Commissions (Received)	(6,503)	(7,018)	(5,911)	(5,506)	(24,938)
Net Insurance Expenses	55,329	56,754	57,490	73,843	243,416
Deferred Acquisition Costs	(18,789)	(21,070)	(20,146)	(27,548)	(87,553)
Operating Expenses	$ 36,540	$ 35,684	$ 37,344	$ 46,295	$ 155,863

Deferred Expenses to Deferred Premiums Ratio
(dollars in thousands)

	2004	2005	2006	2007
Deferred Acquisition Costs	$ 406,035	$ 427,111	$ 449,556	$ 472,516
Deferred Premium Revenue	3,211,181	3,185,200	3,129,620	3,138,396
Prepaid Reinsurance Premiums	(434,968)	(407,614)	(363,140)	(325,555)
Present Value of Future Installment Premiums	2,170,189	2,171,064	2,309,433	2,638,669
Adjusted Deferred Premiums	$ 4,946,402	$ 4,948,650	$ 5,075,913	$ 5,451,510
Ratio	8.2%	8.6%	8.9%	8.7%

Schedule of Outstanding Stock Options

Year of Expiration	Outstanding as of 9/30/07	Granted	Exercised	Cancelled	Outstanding as of 12/31/07	Exercisable as of 12/31/07 Number	Average Price
Executive Officers [1]							
2007	22,707	-	-	22,707	-	-	-
2008	155,595	64,525	-	-	220,120	220,120	39.30
2009	662,392	-	-	-	662,392	662,392	41.49
2010	83,415	-	-	-	83,415	83,415	37.31
2011	205,000	-	-	-	205,000	205,000	45.19
2012	314,400	-	-	-	314,400	314,400	52.04
2013	299,500	-	-	-	299,500	279,600	36.69
2014	536,000	-	-	-	536,000	67,800	64.64
2015	522,000	-	-	-	522,000	80,800	58.84
2016	37,500	-	-	-	37,500	-	-
2017	20,000	-	-	-	20,000	-	-
Total	2,858,509	64,525	-	22,707	2,900,327	1,913,527	$ 44.04
Others							
2007	273,951	-	13,870	260,081	-	-	-
2008	48,372	-	-	-	48,372	48,372	43.29
2009	1,745,535	-	1,545	-	1,743,990	1,721,990	42.93
2010	141,051	-	2,355	-	138,696	138,696	47.97
2011	414,500	-	-	-	414,500	414,500	45.51
2012	1,058,225	-	16,450	1,500	1,040,275	1,040,275	46.15
2013	181,449	-	3,900	1,000	176,549	146,579	37.62
2014	197,550	-	2,063	7,135	188,352	133,128	64.39
2015	85,500	-	-	3,300	82,200	30,600	58.84
2016	-	-	-	-	-	-	-
2017	17,800	-	-	-	17,800	-	-
Total	4,163,933	-	40,183	273,016	3,850,734	3,674,140	$ 45.03
Total							
2007	296,658	-	13,870	282,788	-	-	-
2008	203,967	64,525	-	-	268,492	268,492	40.02
2009	2,407,927	-	1,545	-	2,406,382	2,384,382	42.49
2010	224,466	-	2,355	-	222,111	222,111	43.97
2011	619,500	-	-	-	619,500	619,500	45.40
2012	1,372,625	-	16,450	1,500	1,354,675	1,354,675	47.52
2013	480,949	-	3,900	1,000	476,049	426,179	37.03
2014	733,550	-	2,063	7,135	724,352	200,928	64.48
2015	607,500	-	-	3,300	604,200	111,400	58.84
2016	37,500	-	-	-	37,500	-	-
2017	37,800	-	-	-	37,800	-	-
Total	7,022,442	64,525	40,183	295,723	6,751,061	5,587,667	$ 44.69

(1) Executive officers of the Company may exercise stock options under the Company's net settlement procedure. Under this procedure, executive officers purchase the underlying stock, net of shares necessary to pay the option exercise price and meet tax withholding requirements, in order to increase their ownership position in MBIA.

Insured Portfolio Profile By Geographic Distribution
Par Value
(dollars in millions)

	Insured in 2007				Outstanding as of December 31, 2007 [1] [2]			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
United States								
California	$10,685	6.4%	$10,363	7.0%	$76,420	10.0%	$71,472	10.5%
New York	3,803	2.3	3,716	2.5	43,140	5.7	40,028	5.9
Florida	6,092	3.6	6,028	4.1	31,554	4.1	30,131	4.4
Texas	3,552	2.1	3,552	2.4	24,163	3.2	22,745	3.4
Illinois	2,154	1.3	2,139	1.4	20,169	2.6	18,917	2.8
New Jersey	1,329	0.8	1,329	0.9	19,732	2.6	18,393	2.7
Washington	1,205	0.7	1,204	0.8	13,682	1.8	13,028	1.9
Pennsylvania	829	0.5	829	0.6	13,210	1.7	12,468	1.8
Massachusetts	587	0.3	587	0.4	14,053	1.8	12,366	1.8
Michigan	1,497	0.9	1,462	1.0	13,132	1.7	12,273	1.8
Subtotal	31,733	18.9	31,209	21.1	269,255	35.2	251,821	37.0
Other States & Territories	21,395	12.8	21,018	14.2	163,634	21.6	153,876	22.8
Nationally Diversified	89,733	53.4	75,666	51.1	182,538	23.9	155,490	22.9
Total United States	142,861	85.1	127,893	86.4	615,427	80.7	561,187	82.7
Non-United States								
United Kingdom	2,606	1.6	2,396	1.6	31,264	4.1	26,269	3.9
Germany	2,451	1.5	1,820	1.2	13,556	1.8	11,366	1.7
Australia	2,023	1.2	1,914	1.3	9,667	1.3	7,485	1.1
France	1,787	1.1	1,429	1.0	3,461	0.5	3,070	0.5
Chile	-	-	-	-	3,131	0.4	2,091	0.3
Mexico	1,267	0.7	960	0.6	2,502	0.3	1,964	0.3
Turkey	200	0.1	140	0.1	2,657	0.3	1,864	0.3
Spain	142	0.1	133	0.1	2,358	0.3	1,734	0.3
Italy	-	-	-	-	1,812	0.2	1,720	0.3
Portugal	-	-	-	-	1,864	0.2	1,678	0.2
Subtotal	10,476	6.3	8,792	5.9	72,272	9.4	59,241	8.9
Other (3)	575	0.3	491	0.4	8,526	1.2	6,889	0.8
Internationally Diversified	13,974	8.3	10,870	7.3	66,221	8.7	51,344	7.6
Total Non-United States	25,025	14.9	20,153	13.6	147,019	19.3	117,474	17.3
Total	$167,886	100.0%	$148,046	100.0%	$762,446	100.0%	$678,661	100.0%

(1) Net of refunded issues, reinsurance and other contractual agreements.
(2) Excludes $25.5 billion relating to investment agreements and medium term notes issued by affiliates of MBIA Asset Management and guaranteed by MBIA Insurance Corporation.
(3) Includes some domestic risk denominated in other than U.S.dollars.

Insured Portfolio Profile By Bond Type

Par Value
(dollars in millions)

	Insured in 2007				Outstanding as of December 31, 2007 [1] [2]			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
Public Finance: United States								
General Obligation	$ 21,008	12.5%	$ 20,742	14.0%	$ 178,333	23.4%	$ 170,824	25.2%
Municipal Utilities	10,300	6.1	10,139	6.8	80,022	10.5	74,872	11.0
Special Revenue	116	0.1	116	0.1	2,952	0.3	2,807	0.4
Tax-Backed	7,697	4.6	7,622	5.1	50,104	6.6	47,310	7.0
Transportation	3,837	2.3	3,706	2.5	37,325	4.9	32,632	4.8
Health Care	2,641	1.6	2,490	1.7	30,349	4.0	26,137	3.9
Higher Education	4,997	3.0	4,947	3.3	25,682	3.4	24,803	3.6
Municipal Housing	580	0.3	580	0.4	9,644	1.3	9,225	1.4
Military Housing	3,210	1.9	3,118	2.1	8,415	1.1	8,092	1.2
Investor Owned Utilities [3]	611	0.4	611	0.5	8,463	1.1	7,663	1.1
Total United States	54,997	32.8	54,071	36.5	431,289	56.6	404,365	59.6
Public Finance: Non-United States								
Sovereign	1,356	0.8	933	0.5	15,822	2.1	13,029	1.9
Transportation	1,787	1.1	1,429	1.0	13,766	1.8	10,214	1.5
Utilities	534	0.3	525	0.4	7,869	1.0	5,820	0.9
Investor Owned Utilities	2,747	1.6	2,626	1.8	7,399	1.0	6,494	1.0
Sub-Sovereign	-	-	-	-	1,133	0.1	703	0.1
Municipal Housing	-	-	-	-	187	-	173	-
Health Care	-	-	-	-	92	-	43	-
Higher Education	-	-	-	-	59	-	55	-
Total Non-United States	6,424	3.8	5,513	3.7	46,327	6.0	36,531	5.4
Total Global Public Finance	61,421	36.6	59,584	40.2	477,616	62.6	440,896	65.0
Structured Finance - United States								
Collateralized Debt Obligations [4]	60,479	36.0	48,640	32.9	101,202	13.3	82,772	12.2
Mortgage Backed Residential	12,286	7.3	11,582	7.8	30,221	4.0	28,209	4.1
Mortgage Backed Commercial	-	-	-	-	1,383	0.2	1,297	0.2
Consumer Asset Backed:								
Auto Loans	5,608	3.3	5,116	3.5	10,783	1.4	9,803	1.4
Student Loans	256	0.1	193	0.1	6,322	0.8	5,885	0.9
Manufactured Housing	-	-	-	-	2,144	0.3	1,898	0.3
Other Consumer Asset Backed	1,105	0.7	873	0.6	3,301	0.4	2,713	0.4
Corporate Asset Backed:								
Operating Assets:								
Aircraft Portfolio Lease Securitizations	100	0.1	100	0.1	2,808	0.4	2,552	0.4
Rental Car Fleets	-	-	-	-	5,212	0.7	4,236	0.6
Secured Airline Equip Securitization (EETC)	-	-	-	-	3,884	0.5	2,729	0.4
Other Operating Assets	1,718	1.0	1,580	1.1	2,098	0.3	1,932	0.3
Structured Insurance Securitizations	2,805	1.7	2,344	1.5	6,061	0.8	4,765	0.7
Franchise Assets	-	-	-	-	2,373	0.3	2,082	0.3
Intellectual Property	2,913	1.7	2,811	1.9	2,268	0.3	2,176	0.3
Other Corporate Asset Backed	594	0.4	582	0.4	4,078	0.5	3,773	0.6
Total United States	87,864	52.3	73,821	49.9	184,138	24.2	156,822	23.1
Structured Finance - Non-United States								
Collateralized Debt Obligations [4]	11,927	7.1	9,432	6.4	61,525	8.1	47,803	7.0
Mortgage Backed Residential	659	0.4	659	0.4	16,690	2.2	15,197	2.2
Mortgage Backed Commercial	2,056	1.2	1,447	1.0	6,390	0.8	5,242	0.8
Consumer Asset Backed:								
Auto Loans	-	-	-	-	377	-	354	0.1
Other Consumer Asset Backed	-	-	-	-	1,193	0.2	752	0.1
Corporate Asset Backed:								
Operating Assets:								
Aircraft Portfolio Lease Securitizations	1,660	1.0	1,268	0.9	2,607	0.4	2,024	0.3
Secured Airline Equip Securitization	-	-	-	-	379	-	375	0.1
Other Operating Assets	-	-	-	-	743	0.1	688	0.1
Structured Insurance Securitizations	100	0.1	100	0.1	100	-	100	-
Franchise Assets	-	-	-	-	1,379	0.2	1,305	0.2
Intellectual Property	-	-	-	-	881	0.1	743	0.1
Future Flow	650	0.4	488	0.3	4,069	0.5	2,890	0.4
Other Corporate Asset Backed	1,549	0.8	1,247	0.8	4,359	0.6	3,470	0.5
Total Non-United States	18,601	11.0	14,641	9.9	100,692	13.2	80,943	11.9
Total Global Structured Finance	106,465	63.4	88,462	59.8	284,830	37.4	237,765	35.0
Total	$ 167,886	100.0%	$ 148,046	100.0%	$ 762,446	100.0%	$ 678,661	100.0%

(1) Net of refunded issues, reinsurance and other contractual agreements.

(2) Excludes $25.5 billion relating to investment agreements and medium term notes issued by affiliates of MBIA Asset Management and guaranteed by MBIA Insurance Corporation.

(3) Includes Investor-Owned Utilities, Industrial Development and Pollution Control Revenue bonds.

(4) Includes transactions (represented by structured pools of primarily investment grade corporate credit risks or commercial real estate assets) that do not include typical CDO structuring characteristics, such as tranched credit risk, cash flow waterfalls, or interest and over-collateralization coverage tests.

MBIA's CDO Exposure [4]

As of December 31, 2007

(dollars in billions)

Underlying Ratings [1] [2] [3]

Net Par Written: January 2007 – December 2007		
AAA	$ 51.0	88%
AA	$ 3.4	6%
A	$ 1.2	2%
BBB	$ 1.2	2%
BIG	$ 1.5	3%
	$ 58.2	100%

94% Rated AA or better

Total CDO Portfolio	Net Par Outstanding	% of Total
AAA	$ 113.6	87%
AA	9.6	7%
A	2.3	2%
BBB	1.2	1%
BIG	3.9	3%
	$ 130.6	100%
AA or Better	94%	
A or Better	96%	

Underlying Asset Types - Net Par Outstanding [2] [3]

Collateral Type

	Total		Fiancial Guaranty Insurance Policy		Insured Credit Default Swap	
	Net par	% of Total	Net par	% of Total	Net par	% of Total
Investment Grade	$ 43.2	33%	$ 1.5	11%	$ 41.6	35%
High Yield	13.9	11%	5.1	38%	8.8	8%
Multi-Sector	30.1	23%	3.6	27%	26.5	23%
CMBS	43.2	33%	3.1	23%	40.2	34%
Emerging Market	0.2	0%	-	0%	0.2	0%
Total	$ 130.6	100%	$ 13.3	100%	$ 117.3	100%

Insured Credit Default Swap

Managed Pools	56%
Static Pools	44%

Net Par by Vintage [2] [3]

Year	Written		Outstanding		Average Quality Range
	Amount	%	Amount	%	At Origination
1996	$ 0.9	0%	$ 0.1	0%	Baa1-Baa2
1997	1.3	1%	-	0%	Baa2-Baa3
1998	6.8	3%	0.3	0%	A3
1999	2.7	1%	0.2	0%	Aa2
2000	16.4	8%	1.1	1%	Aa1
2001	13.9	7%	2.7	2%	Aaa-Aa1
2002	29.1	14%	5.4	4%	Aaa-Aa1
2003	13.7	7%	3.3	3%	Aaa-Aa2
2004	15.1	7%	12.4	9%	Aaa-Aa2
2005	15.0	7%	14.7	11%	Aaa-Aa2
2006	32.2	16%	32.9	25%	Aaa-Aa3
2007	58.2	28%	57.5	44%	Aaa
	$ 205.3	100%	$ 130.6	100%	

(1) All ratings are current. Ratings are derived using the most conservative rating from Moody's, S&P or MBIA.
(2) May not agree to the CDO par written in the Insured Portfolio Profile as only current transactions written are reported in this addendum.
(3) Net Par Outstanding includes only drawn amounts. It may not reflect entire insured amount of revolving transactions
(4) includes transactions (represented by structured pools of primarily investment grade corporate credit risks or commercial real estate assets) that do not include typical CDO structuring characteristics, such as tranched credit risk, cash flow waterfalls, or interest and over-collateralization coverage tests

Insured Portfolio - 25 Largest Public Finance Credits

Net Par Outstanding as of December 31, 2007

(dollars in millions)

	Obligor Name	Country	MBIA Rating [1]	Net Par Outstanding
1	California General Obligation	USA	a1	$ 3,735
2	New York City General Obligation	USA	aa3	2,680
3	Illinois General Obligation	USA	aa3	2,282
4	Massachusetts General Obligation	USA	aa3	2,250
5	Puerto Rico General Obligation	USA	bbb2	2,247
6	Sydney Airport Corporation Limited	AUS	bbb2	2,143
7	Citizens Property Insurance Corp	USA	a3	2,093
8	Southern Water Services Limited	GBR	a3	1,957
9	Long Island Power Authority Electric	USA	a3	1,919
10	State of Washington General Obligation	USA	aa2	1,906
11	Wisconsin General Obligation	USA	aa3	1,851
12	New York City Water	USA	aa3	1,807
13	Connecticut General Obligation	USA	aa3	1,744
14	Chicago O'Hare General Airport	USA	a2	1,678
15	Los Angeles Unified School District General Obligation	USA	aa3	1,630
16	New York State Lease	USA	a2	1,618
17	State of California Economic Recovery Bonds	USA	aa3	1,582
18	New Jersey Transportation Trust Fund Authority	USA	aa3	1,573
19	The Port Authority of New York and New Jersey	USA	a1	1,553
20	Pennsylvania General Obligation	USA	aa3	1,462
21	Chicago General Obligation	USA	a1	1,444
22	Puerto Rico Electric Power Authority	USA	a3	1,436
23	Higher Education Student Assistance Authority	USA	a1	1,425
24	New Jersey Economic Development Authority State Pension Obligation Lease	USA	aa2	1,385
25	Florida State General Obligation	USA	aa1	1,375
		Total		$ 46,775
		Total Portfolio Exposure		$ 678,661
		% of Total Portfolio		6.9%

Insured Portfolio - 25 Largest Structured Finance Credits

Net Par Outstanding as of December 31, 2007

(dollars in millions)

	Obligor Name	Country	MBIA Rating [1]	Net Par Outstanding
1	Prime UK Residential Mortgage Super Senior Credit Default Swap	GBR	aaa	$ 3,397
2	Global Super Senior Managed Synthetic CDO	GLB	aaa	2,651
3	Global Super Senior Credit Default Swap Synthetic CLO	GLB	aaa	2,579
4	Static Cash CRE CDO	USA	aaa	2,428
5	Super Senior Credit Default Swap Synthetic CLO	DEU	aaa	2,316
6	Super Senior Static Synthetic CRE CDO	USA	aaa	2,291
7	Regent Street Finance Ltd	GLB	aaa	2,236
8	Menton CDO IV	USA	aaa	2,160
9	Super Senior Synthetic Pooled CMBS	USA	aaa	2,075
10	Global Super Senior Managed Synthetic CLO	GLB	aaa	2,050
11	Prime UK Residential Mortgage Super Senior Credit Default Swap	GBR	aaa	1,988
12	Hertz Vehicle Financing LLC	USA	bbb2	1,841
13	Prime UK Residential Mortgage Super Senior Credit Default Swap	GBR	aaa	1,815
14	Global Super Senior Managed Synthetic CDO	GLB	aaa	1,791
15	Newbury Street CDO Ltd	USA	aaa	1,684
16	Private Synthetic Pooled CMBS Transaction	USA	aaa	1,645
17	Global Super Senior Managed Synthetic CDO	GLB	aaa	1,645
18	Static Cash CRE CDO	USA	aaa	1,640
19	German Multifamily Housing Synthetic CDS	DEU	aaa	1,619
20	Super Senior Static Synthetic CRE CDO	USA	aaa	1,554
21	German Residential Mortgage Synthetic CDS	DEU	aaa	1,551
22	Global Super Senior Managed Synthetic CDO	GLB	aaa	1,547
23	Super Senior Credit Default Swap Investment Grade Corporate Synthetic CDO	GLB	aaa	1,491
24	Global Super Senior Synthetic CDO	GLB	aaa	1,473
25	Capital One Auto Finance Trust 2007-B	USA	bbb2	1,458
		Total		$ 48,925
		Total Portfolio Exposure		$ 678,661
		% of Total Portfolio		7.2%

(1) Internal MBIA credit ratings contained in this Operating Supplement are provided solely to indicate the underlying credit quality of guaranteed obligations based on the view of MBIA Insurance Corporation. They are subject to revision at anytime and do not constitute investment advice. MBIA ratings symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g. aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.).

Top 15 Structured Finance Servicer Exposures [1]

as of September 30, 2007
(dollars in millions)

	Servicer Name [2]	Net Par Outstanding
1	Countrywide Financial Corporation	$ 14,194
2	Residential Capital Corp.	6,769
3	Capital One Financial Corporation	4,699
4	Wells Fargo & Company	2,739
5	AmeriCredit Corporation	2,425
6	Commerzbank, AG	1,966
7	Hertz Corporation, The	1,863
8	GreenTree/Fortress	1,851
9	Vanguard Car Rental USA Inc.	1,582
10	AerCap Ireland Limited	1,508
11	NELnet Inc.	1,476
12	KeyCorp	1,464
13	HSBC Holdings P.L.C.	1,452
14	Avis Budget Group, Inc.	1,350
15	IndyMac Bancorp, Inc.	1,314
	Total	$ 46,652

(1) Excludes servicers where all of the exposure is subject to confidentiality agreements.

(2) Servicer may be an operating subsidiary of the named entity.

Summary of Top 10 Below Investment Grade (BIG) Credits [1] [2] [3]

as of December 31, 2007
(dollars in millions)

	Obligor Name	Below Investment Grade (BIG) Exposure (Net)
1	ARG Funding Corporation Vanguard Car Rental 2005-1	$ 1,216
2	Orkney Holdings LLC	600
3	Cendant Rental Car Funding (AESOP) LLC	572
4	Sagittarius CDO I Ltd.	468
5	San Joaquin Hills Transportation Corridor Agency Toll Road	423
6	Hertz Vehicle Financing LLC	220
7	GreenPoint Savings Bank 1999-3 A1-A7	217
8	GreenPoint Credit Corporation 1998-1 IA & IIA	216
9	US Airways Inc. Pass-Through Trust 2000-2G	215
10	New Orleans City GO	214
	Total	$ 4,361
	Total BIG Exposure	$ 9,236
	Total MBIA Net Par Outstanding	$ 678,661
	Top 10 as % of MBIA Net Par Outstanding	**0.6%**
	Total BIG as % of MBIA Net Par Outstanding	**1.4%**
	Total BIG Exposure **by MBIA rating** as % of MBIA Net Par Outstanding [4]	**2.1%**

(1) All ratings are current. Ratings are derived using the S&P Priority Method. If credits are not rated by S&P, a Moody's equivalent rating is used. If credits are not rated by either agency, an MBIA equivalent rating is used.

(2) Amounts may not match other exposure data, as only the BIG portion of a credit's total exposure is shown here.

(3) During the 4th quarter, AHERF Delaware Valley Obligated Group was removed from the Top 10 list and Sagittarius CDO I Ltd. was added.

(4) MBIA's BIG net par exposure includes $10.6 billion of home equity lines of credit and closed-end second RMBS and diversified (multi-sector) CDOs of high grade CDOs that MBIA added to its Classified List at year-end 2007, which were not rated BIG under the S&P priority basis as of December 31, 2007.

Credit Quality Distribution [1]
as of December 31, 2007
(dollars in millions)

	Net Par Insured in 2007 [2]		Net Par Outstanding	
	Amount	%	Amount	%
Global Public Finance				
United States				
AAA	776	1.4%	$ 10,066	2.5%
AA	24,184	44.8%	171,034	42.3%
A	24,359	45.2%	169,731	42.0%
BBB	4,520	8.4%	50,270	12.4%
<BBB	108	0.2%	3,264	0.8%
Total	$ 53,947	100.0%	$ 404,365	100.0%
Non-United States				
AAA	$ 365	6.6%	$ 1,639	4.5%
AA	0	0.0%	4,834	13.2%
A	2,701	48.4%	13,114	35.9%
BBB	2,509	45.0%	16,824	46.1%
<BBB	0	0.0%	120	0.3%
Total	$ 5,575	100.0%	$ 36,531	100.0%
Global Structured Finance				
United States				
AAA	$ 49,312	66.4%	$ 88,354	56.3%
AA	2,815	3.8%	10,784	6.9%
A	3,562	4.8%	13,901	8.9%
BBB	18,079	24.4%	37,982	24.2%
<BBB	473	0.6%	5,801	3.7%
Total	$ 74,241	100.0%	$ 156,822	100.0%
Non-United States				
AAA	$ 11,665	79.0%	$ 67,221	83.0%
AA	650	4.4%	2,651	3.3%
A	1,254	8.5%	6,622	8.2%
BBB	1,192	8.1%	4,397	5.4%
<BBB	0	0.0%	52	0.1%
Total	$ 14,761	100.0%	$ 80,943	100.0%
Grand Totals				
AAA	$ 62,118	41.8%	$ 167,280	24.6%
AA	27,648	18.6%	189,304	27.9%
A	31,876	21.5%	203,368	30.0%
BBB	26,300	17.7%	109,473	16.1%
<BBB	581	0.4%	9,236	1.4%
Total	$ 148,523	100.0%	$ 678,661	100.0%

[1] All ratings are current. Ratings are derived using the S&P Priority Method. If credits are not rated by S&P, a Moody's equivalent rating is used. If credits are not rated by either agency, an MBIA equivalent rating is used.

[2] May not agree to the par amounts on the Insured Portfolio Profile by Bond Type and by Geographic Distribution exhibits since only transactions in the current period are reported in this exhibit.

Glossary

Term	Definition
Adjusted Book Value (ABV)	ABV, a non-GAAP measure, is a measure of the value of the Company adjusted for items that are expected to impact stockholders' equity in future periods. ABV comprises GAAP book value plus the after-tax effects of deferred premium revenue less prepaid reinsurance premiums and deferred acquisition costs, the present value of installment premiums, the present value of the net spread of asset/liability products and a provision for loss and loss adjustment expenses. The Company believes the presentation of ABV provides additional information that gives a comprehensive measure of the value of the Company. Since the Company expects these items to affect future results and, in general, they do not require any additional future performance obligation on the Company's part, ABV provides an indication of the Company's value in the absence of any new business activity. ABV is not a substitute for GAAP book value but does provide investors with additional information when viewed in conjunction with GAAP book value.
ABV Loss Provision Adjustment	The loss provision adjustment included in the calculation of ABV is calculated by applying 12% to the following items on an after-tax basis: deferred premium revenue; prepaid reinsurance premiums; and the present value of installment premiums.
Adjusted Direct Premiums (ADP)	This is a non-GAAP measure, which includes both upfront premiums written and the present value of estimated installment premiums for new business written in the period and excludes premiums assumed or ceded.
Aircraft Portfolio Lease Securitization	Transactions secured by operating leases on fleets of commercial aircraft. The leases generally are diversified pools of international airlines. MBIA has the right to liquidate or re-lease the aircraft upon an Event of Default.
Amortized Cost	The purchase price of a fixed-maturity security, net of any discount received or premium paid. Amortized cost is adjusted each reporting period to reflect the repayment of principal (par) by the issuer of a security and the accretion of a discount or the amortization of a premium.
Below Investment Grade (BIG)	Any security rated below BBB- by Fitch and S&P or Baa3 by Moody's.
Capital Ratio	Net debt service outstanding divided by the capital base.
Collateralized Debt Obligations (CDO)	A debt instrument that is secured (collateralized) by a pool of other securities, typically loans and bonds. CDOs can include all types of loans and bonds, including high-yield bonds, emerging market bonds, asset-backed transactions and middle-market bank loans. Collateralized Bond Obligations (CBOs), Collateralized Loan Obligations (CLOs), and Collateralized Mortgage Obligations (CMOs) are types of CDOs.
CDO Emerging Market	Collateralized Debt Obligation that contains countries that are not members of the Organization for Economic Co-operation and Development (OECD).
CDO^2	Collateralized Debt Obligations (CDOs) where underlying collateral comprises tranches issued by other Collateralized Debt Obligations (CDOs).
CDO- Commercial Mortgage Backed Securities (CMBS)	Collateralized Debt Obligation (CDO) containing commercial mortgage securities that represent mortgage loans for non-residential properties such as office buildings, retail stores, etc.

CDO-High Yield (corporate)	High Yield Corporate Collateralized Debt Obligations (CDOs) are transactions that contain high yield, usually non-investment grade corporate collateral.
CDO-Investment Grade (corporate)	Investment Grade Corporate Collateralized Debt Obligations (CDOs) are transactions that contain investment grade corporate collateral.
CDO-Multi Sector	Multi-Sector Collateralized Debt Obligations (CDOs) are transactions that include a variety of structured finance asset classes in the collateral pools. The collateral in the Company's Multi-Sector CDOs includes asset-backed securities (e.g. securitizations of auto receivables, credit cards, etc.), commercial mortgage-backed securities (CMBS), CDOs and various types of residential mortgage-backed securities (RMBS) including prime and sub prime RMBS.
Claims-Paying Ratio	Net debt service outstanding divided by the sum of the capital base, unearned premium reserve (after-tax), present value of installment premiums (after-tax), loss and loss adjustment expense (LAE) reserves, and soft capital credit facilities.
Commercial Real Estate CDO (CRE)	Transactions secured by a diversified pool of commercial real estate-oriented loans and/or bonds. Transactions are actively managed pools of collateral with a Collateralized Debt Obligation (CDO) structure with first loss positions provided by subordinated tranches. Transactions are usually managed pools with reinvestment permitted subject to Eligibility Criteria.
Commercial Mortgage Backed Securities (CMBS)	A type of mortgage-backed security, the word is used to distinguish it from residential mortgage-backed securities (RMBS). Commercial mortgages represent mortgage loans for non-residential properties such as office buildings, retail stores, etc.
Deferred Acquisition costs	Costs incurred and recorded as deferred charges (asset) that relate primarily to, and vary with, the acquisition of new insurance business, including compensation of employees involved in underwriting and policy issuance functions, certain rating agency fees, state premium taxes and certain other underwriting expenses, reduced by ceding commissions received on premiums ceded to reinsurers. Deferred acquisition costs are amortized as expense over the period in which the related premiums are earned.
Franchise Assets (Commercial Real Estate Secured)	Bonds or financial obligations secured by a diverse pool of loans, leases, and/or receivables to small businesses. Security will include mortgages over commercial real estate. These pools may include franchise loans, but only when secured by the commercial real estate. The underlying debt obligations will be "small ticket" in nature and the pools will be granular. Credit enhancement will be found in the form initial equity underpinning the real estate, over-collateralization and/or excess spread.
Franchise Assets (Not Commercial Real Estate Secured)	Bonds or financial obligations secured by pools of loans, leases and/or receivables where the obligors are small businesses, and the credit obligations are not secured by commercial real estate. These pools may include franchise loans (where security is not commercial real estate, but rather equipment and intellectual property). Credit enhancement will be found in the form over-collateralization and/or excess spread.
Future Flows	Bonds secured by loans, leases, and/or receivables to be generated some time in the future by a large bank or global commodities exporter.

Intellectual Property	Intellectual Property (IP) is the output of creative endeavor in technology, literary, artistic, industrial and scientific fields that can be protected under legislation. The principal legal categories for IP are patents, trademarks and copyrights. Examples of IP are film copyrights, pharmaceutical patents, music copyrights, publishing copyrights and branding and franchising trademarks.
Investment Agreement	A contract specifying the rights and responsibilities of a host [government] and a corporation in the structure and operation of an investment project.
Loss and Loss Adjustment Expense (LAE) Ratio	Measure of insurance portfolio losses relative to premium earnings and is an indicator of portfolio profitability. This ratio provides the percent of premium earnings used to cover losses incurred in a given period (quarter or year). The Loss and Loss Adjusted Expense (LAE) ratio is calculated on both a GAAP and statutory basis. Loss and LAE Ratio is Loss and LAE divided by net premiums earned.
Mezzanine Tranche	A middle layer of risk in a Collateralized Debt Obligation (CDO) or, more generally, a tranched portfolio credit derivative with a risk profile equivalent to a weak investment-grade rating.
Monotranche	A single layer of credit risk referencing a pool of assets or obligors with a specific attachment and detachment. A monotranche is not part of a full capital structure and is custom tailored to meet a risk/return profile. A customized monotranche is a bespoke tranche.
Operating Income (Loss) and Operating Income (Loss) per share	The Company believes operating income (loss) and operating income (loss) per share, non-GAAP measures, are useful measurements of performance because they measure income from operations, unaffected by investment portfolio realized gains and losses, gains and losses on financial instruments at fair value (with the exception of credit impairments on insured derivatives) and foreign exchange and other non-operating items. Operating income (loss) and operating income (loss) per share are also provided to assist research analysts and investors who use this information in their analysis of the Company.
Operating Return on Equity (ROE)	The Company believes operating return on equity, a non-GAAP measure, is a useful measurement of performance because it measures return on equity based upon income from operations and shareholders' equity, unaffected by investment portfolio realized gains and losses, gains and losses on financial instruments at fair value (with the exception of credit impairments on insured derivatives) and foreign exchange, unrealized gains and losses, and non-recurring items. Operating return on equity is also provided to assist research analysts and investors who use this information in their analysis of the Company.
Rental Car Fleets	Transactions secured by operating leases on fleets of rental cars. MBIA has the right to repossess and liquidate the rental car fleet upon default.
Residential Mortgage Backed Securities (RMBS)	A type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. It securitizes the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors looking to diversify their portfolios or hedge against certain types of risks.
Secured Airline Equipment Securitization (EETC)	A structured transaction that pools senior tranches of leases on specific airplanes. The airplanes may be operated by a single airline or be leases with a number of airlines. The enhanced nature refers to the special treatment such leases get in any bankruptcy proceeding of an airline.

Structured Insurance Securitizations	Bonds secured by the future earnings from pools of various types of insurance/reinsurance policies. These pools specifically include insurance or annuity policies as well as policies issued by property & casualty insurers/reinsurers. Performance analysis of the pools of policies must conform to standard and recognized actuarial techniques.
Synthetic CDO-Managed Pools	A synthetic asset is a derivative which replicates certain payment features of a cash security. For credit derivatives entered into by MBIA, a synthetic execution is an enhancement of a credit product (derivative or not) by means of a credit default swap. In a managed pool, the Collateralized Debt Obligation (CDO) manager can buy/sell underlying securities over the life of the deal.
Synthetic CDO-Static Pools	A synthetic asset is a derivative which replicates certain payment features of a cash security. For credit derivatives entered into by MBIA, a synthetic execution is an enhancement of a credit product (derivative or not) by means of a credit default swap. In a static pool, underlying collateral remains unchanged over the life of the deal.
Variable Interest Entity (VIE)	An entity subject to the requirements of FIN 46, Consolidation of Variable Interest Entities (VIE). A company is required to consolidate a VIE if it absorbs the majority of the expected losses or receives the majority of the expected residual returns, or both, of the VIE.

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MBIA/Pershing Square/Activist Short Seller Timeline

Date	Event	Summary
5/23/2007	Ackman Presentation - "Who's Holding the Bag" at Ira Sohn Conference	• Claims MBIA and Ambac insurance subsidiaries are effectively insolvent
11/28/2007	Ackman Presentation - "How to Save the Bond Insurers" at Value Investing Congress	• Claims bond insurers effectively insolvent
11/28/2007	Ackman holds press conference after Value Investing Congress presentation	• See above
11/28/2007	Ackman appears on CNBC after Value Investing Congress presentation	• See above • Donation of management fees to his charitable foundation
11/29/2007	Whitney Tilson appears on CNBC	• Questions survival of MBIA and Ambac
12/10/2007	MBIA announces $1 billion Warburg Pincus Commitment	
12/14/2007	Ackman sends letters to regulators criticizing Warburg Pincus transaction, among other things;	• Claims disclosure of transaction was misleading and overstated probability of successful closing • Claims undisclosed material closing conditions • Claims MBIA may have violated reps and warranties triggering major indemnification obligation • Claims company lacks adequate capital to meet policyholder obligations
12/17/2007	Copy of 12/14 Ackman letter to regulators is provided to the media;	• Bloomberg
1/8/2008	David Einhorn of Greenlight Capital sends letter to regulators	• Claims MBIA and Ambac have improperly applied FAS 133 and FAS 5
1/9/2008	MBIA announces $1 billion surplus note offering	
1/10/2008	Ackman appears on Bloomberg TV and is critical of MBIA	• Claims MBIA needs in excess of $10 billion in capital • Claims holding company insolvent by end of 2008 • Suggests there will be no dividends to holding company for payment of surplus notes
1/11/2008	MBIA announces pricing of $1 billion surplus note offering	

1/16/2008	MBIA announces closing of $1 billion surplus note offering; Fitch affirms AAA Stable rating	
1/18/2008	Ackman sends letter to rating agencies;	• Questions rating agency analysis of bond insurer capital adequacy
1/18/2008	Herb Greenberg writes article critical of MBIA	• Article apparently prompted by article sent to Greenberg by Whitney Tilson
1/18/2007-1/20/2007	Copy of Ackman letter to the rating agencies is provided to the media;	• Bloomberg
1/30/2008	Ackman notifies media (CNBC) that he will be sending a letter to regulators and accompanying analysis later in the day; CNBC reports Ackman had earlier met with Wilbur Ross (date uncertain) to discuss his potential investment in Ambac; CNBC plays video clip of Ackman criticism of MBIA/Ambac	• Following report on Open Source Letter and Model, On Air Editor Gasparino indicates he has a gut feel that MBIA or Ambac would be downgraded later that day - no sources noted
1/30/2008	Ackman sends letter to regulators with accompanying "Open Source Model"	
1/30/2008	Ackman makes letter to regulators and Open Source Model available to media	
1/30/2008	MBIA announces closing and funding of $500 million Warburg Pincus investment	
1/31/2008	MBIA releases 4Q07 results, holds conference call and indicates that efforts to raise capital will continue	
1/31/2008	Pershing Square issues press release with questions it wants answered on MBIA conference call	• Questions consistent with prior public statements – holding company liquidity, non-investment grade exposures, Channel Re
1/31/2008	Pershing Square issues press release with 1/30/08 letter to regulators and location of Open Source Model download	
2/5/2008	Ackman writes letter to Fed & Treasury	• Claims bond insurers "functionally insolvent" and advises against any bond insurer bailout • Claims breakdown NYID oversight of bond insurers allowed industry to wrap credit default swaps;
2/6/2008 - 2/7/2008	Media obtains 2/5 letter to Fed & Treasury	
2/6/2008	MBIA announces $750 million common stock offering	

2/7/2008	Whitney Tilson publishes article critical of MBIA equity offering	• Questions ability of MBIA to complete stock offering without Warburg stepping in for nearly all of it • Claims capital raise insufficient given "massive losses" MBIA faces
2/7/2008	MBIA announces pricing of $1 billion common stock offering	
2/8/2008	Bankstocks.com sends e-mail with a summary of the "analysis" done by Egan-Jones in estimating potential losses by financial guarantors	• Summarizes Egan-Jones method of estimation of losses for industry • Notes that analysis is entirely back of the envelope and makes no effort to look at actual exposures
2/12/2008	Ackman, Chanos, Egan, Grebeck, Mason presentation at Hudson Institute – "The Ongoing Credit Crunch: What's Next for Structured Finance, Credit Rating Agencies, and Bond Insurers?"	

Excerpts from letters sent to House Subcommittee on Capital Markets re: Bond Insurers

Ben S. Bernanke, Federal Reserve Chairman

"Ratings downgrades and financial deterioration of the guarantors can make it more costly to issue securities for some municipalities…"

"banks could be required to bring a sizeable volume of assets, especially municipal securities, onto their books" [if financial guarantors are downgraded]

Sandy Praeger, President, National Association of Insurance Commissioners

"The situation with many bond insurers is not so much a solvency issue as it is a rating agency and franchise value issue."

"Bond insurers have been paying and continue to pay all claims. In fact, bond insurers have incurred extremely minimal claims" Recent media reports confused certain companies' ability to write new business with the fact that they have sufficient reserves to cover the current anticipated level of claims."

Sean Dilweg, Commissioner , Wisconsin Insurance Department

"failure of this market [financial guarantee] could have a significant adverse impact on municipalities ability to issue AAA rated debt. This means the cost of financing would increase and the resultant increased cost would be passed on to the citizens....."

"municipal bond insurance market.....provide an important service to the debt financing activity of the country's cities, towns and villages it is important that this market remain stable and active"

"they [the rating agencies] are calling into question, not so much the solvency of these companies [bond insurers], but rather the ongoing franchise value of these insurers"

Eric R. Dinallo, Superintendent, State of New York, Insurance Department

"A move from AAA to AA still leaves a highly solvent, financially strong FGI [financial guarantor], particularly when compared to the vast majority of other regulated insurers."

"Downgrades of the FGIs could have substantial impact on issuers of municipal bonds. Municipalities may find it more difficult or more expensive to secure financial guarantee insurance.......municipalities may have to pay more to borrow."

"downgrades...have implications for the broader economy....can lead to constriction in the lending market place. If these securities are downgraded and banks increase the reserve against them, they will have less capital to support lending…. Moreover, if state and local governments reduce borrowings for capital projects, crucial infrastructure developments may be delayed or deferred. In sum, reduced credit availability could have serious damaging effects at a time when the economy is already perceived to be weak."

John Dugan, Comptroller of the Currency

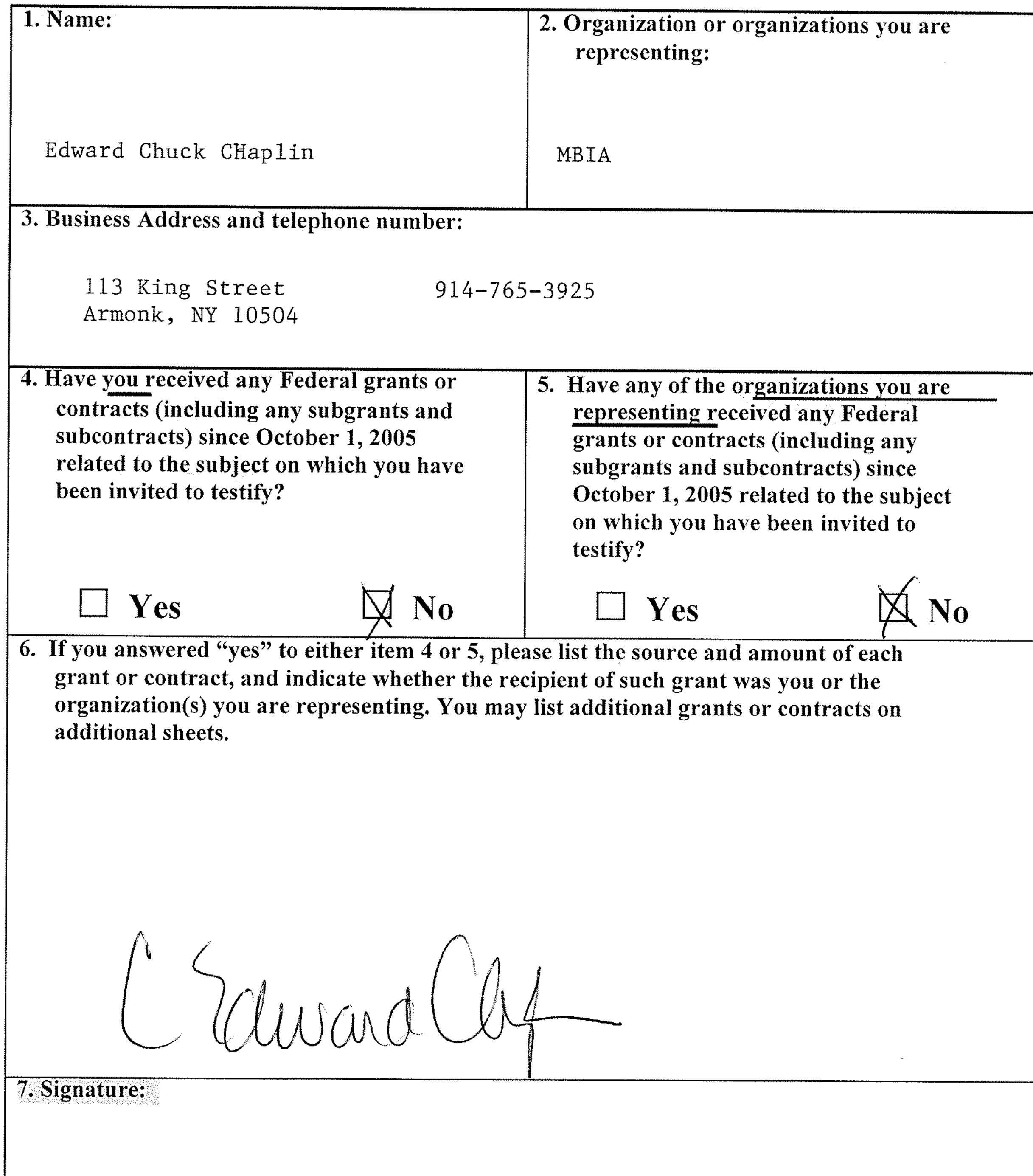
"National banks have direct and indirect exposures to the financial monocline guarantors……..Downgrades of the monolines make it more likely that…….banks incur price and liquidity risk, as well as increased strain on their capital ratios."

United States House of Representatives

Committee on Financial Services

"TRUTH IN TESTIMONY" DISCLOSURE FORM

Clause 2(g) of rule XI of the Rules of the House of Representatives and the Rules of the Committee on Financial Services require the disclosure of the following information. A copy of this form should be attached to your written testimony.



1. Name:	2. Organization or organizations you are representing:
Edward Chuck CHaplin	MBIA

3. Business Address and telephone number:

113 King Street 914-765-3925
Armonk, NY 10504

4. Have you received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2005 related to the subject on which you have been invited to testify?	5. Have any of the organizations you are representing received any Federal grants or contracts (including any subgrants and subcontracts) since October 1, 2005 related to the subject on which you have been invited to testify?
☐ Yes ☒ No	☐ Yes ☒ No

6. If you answered "yes" to either item 4 or 5, please list the source and amount of each grant or contract, and indicate whether the recipient of such grant was you or the organization(s) you are representing. You may list additional grants or contracts on additional sheets.

7. Signature:

Please attach a copy of this form to your written testimony.