MBIA INC
Form 424B5
February 07, 2008
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Registration No. 333-144194

The information in this preliminary prospectus supplement and the accompanying prospectus is not complete and may be changed. This preliminary prospectus supplement and the accompanying prospectus do not constitute an offer to sell the common stock or a solicitation of an offer to buy the common stock in any jurisdiction where the offer or sale is not permitted.

Subject to Completion, Dated February 6, 2008

Prospectus Supplement to Prospectus dated June 29, 2007.

MBIA INC.

50,335,570 Shares of Common Stock

Our common stock is listed on the New York Stock Exchange under the symbol MBI. The last reported sale price of the common stock on February 5, 2008 was $14.90 per share.

	Per Share	Total
Public Price	$	$
Underwriting Discounts and Commissions	$	$
Proceeds, before expenses, to MBIA	$	$

We have granted the underwriters the right to purchase up to an additional 7,550,336 shares to cover over-allotments.

Warburg Pincus will provide a backstop for this offering by agreeing to purchase up to $750 million of our convertible participating preferred stock.

An investment in the shares involves a high degree of risk. You should not invest unless you can afford to lose your entire investment. See Risk Factors beginning on page S-22.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the accompanying prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The underwriters expect to deliver the shares against payment in New York, New York on February , 2008.

JPMORGAN **LEHMAN BROTHERS**

February , 2008.

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Prospectus Supplement

Prospectus

You should rely only on information contained in this prospectus supplement, the accompanying prospectus, any free writing prospectus with respect to the offering filed by us with the U.S. Securities and Exchange Commission (the SEC) or information to which we have referred you. We have not authorized anyone to provide you with information that is different. If anyone provides you with different or inconsistent information, you should not rely on it. You should assume that the information in this prospectus supplement, the accompanying prospectus and any free writing prospectus with respect to the offering filed by us with the SEC and the documents incorporated by reference herein and therein is only accurate as of the respective dates of such documents. Our business, financial condition, results of operations and prospects may have changed since those dates.

We are offering to sell, and are seeking offers to buy, the common stock only in jurisdictions where offers and sales are permitted. The distribution of this prospectus supplement and the accompanying prospectus and the offering in certain jurisdictions may be restricted by law. Persons outside the United States who come into possession of this prospectus supplement and the accompanying prospectus

must inform themselves about and observe any restrictions relating to the offering and the distribution of this prospectus supplement and the accompanying prospectus outside the United States. This prospectus supplement and the accompanying prospectus do not constitute, and may not be used in connection with, an offer to sell, or a solicitation of an offer to buy, any securities offered by this prospectus supplement and the accompanying prospectus by any person in any jurisdiction in which it is unlawful for such person to make such an offer or solicitation.

ABOUT THIS PROSPECTUS SUPPLEMENT

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering.

If the description of the offering or of MBIA Inc. and its subsidiaries varies between this prospectus supplement and the accompanying prospectus, you should rely on the information contained in or incorporated by reference into this prospectus supplement.

The information incorporated by reference in this prospectus supplement is considered a part of this prospectus supplement. See Incorporation by Reference.

Unless we have indicated otherwise, or the context otherwise requires, references in this prospectus supplement and the accompanying prospectus to MBIA, the Company, we, us and our or similar terms are to MBIA Inc. and its subsidiaries. References to MBIA Corp. are wholly-owned subsidiary, MBIA Insurance Corporation, and references to Warburg Pincus are to Warburg Pincus Private Equity X, L.P.

FORWARD-LOOKING STATEMENTS

This prospectus supplement and the accompanying prospectus contain or incorporate by reference statements that do not directly or exclusively relate to historical or current facts. These forward-looking statements are made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words believe, anticipate, project, plan, expect, intend, will likely result, or will continue and si expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected. We wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of their respective dates.

Factors that could materially affect these forward-looking statements can be found in our periodic reports filed with the SEC. In addition to those discussed under the caption Risk Factors in this prospectus supplement, in Item 1A of our most recent annual report on Form 10-K for the year ended December 31, 2006, and in Item 8.01 of our Current Report on Form 8-K filed on January 9, 2008, and other possible factors not listed, the following factors could cause our actual results to differ materially from those expressed in forward-looking statements:

- the possibility that we will not be able to raise sufficient capital to avoid a downgrade of the financial strength ratings of MBIA Corp. and our other insurance subsidiaries;
- the possibility that we will experience severe losses due to the continued deterioration in the performance of residential mortgage-backed securities and collateralized debt obligations;
- fluctuations in the economic, credit, interest rate or foreign currency environment in the United States and abroad;
- level of activity within the national and international credit markets;

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- competitive conditions and pricing levels;
- legislative or regulatory developments;
- technological developments;
- changes in tax laws;
- changes in our credit ratings;
- the effects of mergers, acquisitions and divestitures; and
- uncertainties that have not been identified at this time.

Potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements and are cautioned not to place undue reliance on these forward-looking statements. The forward-looking statements included in this prospectus supplement and the accompanying prospectus are made only as of the dates of this prospectus supplement and the accompanying prospectus, respectively, and we undertake no obligation to publicly update these forward-looking statements to reflect new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events might or might not occur. We cannot assure you that projected results or events will be achieved. We undertake no obligation to publicly correct or update any forward-looking statement if we later become aware that such results are not likely to be achieved.

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SUMMARY

MBIA Inc.

MBIA Inc. is a holding company whose subsidiaries are engaged in providing financial guarantee insurance and investment management services to public finance and structured finance clients worldwide. We conduct our financial guarantee insurance business through our wholly-owned subsidiary, MBIA Corp., and its subsidiaries. MBIA Corp. has triple-A financial strength ratings from Standard and Poor s Rating Services (S&P) (credit watch negative), Moody s Investors Service, Inc. (Moody s) (watch list negative), Fitch, Inc. (Fitch) (rating watch negative) and Rating and Investment Information, Inc. See Recent Developments Rating Agency Review. MBIA Corp. issues financial guarantees for municipal bonds, asset-backed and mortgage-backed securities, investor-owned utility bonds, bonds backed by publicly or privately funded public-purpose projects, bonds issued by sovereign and sub-sovereign entities, obligations collateralized by diverse pools of corporate loans and pools of corporate and asset-backed bonds, and bonds backed by other revenue sources such as corporate franchise revenues, both in the new issue and secondary markets. Additionally, MBIA Corp. insures credit default swaps primarily on pools of collateral, which it considers part of its core financial guarantee insurance business. The financial guarantees issued by MBIA Corp. provide an unconditional and irrevocable guarantee of the payment of the principal of, and interest or other amounts owing on, insured obligations when due or, in the event that MBIA Corp. has the right, at its discretion, to accelerate insured obligations upon default or otherwise, upon such acceleration by MBIA Corp.

We also provide investment management products and services to the public, not-for-profit and corporate sectors through our wholly-owned subsidiary, MBIA Asset Management, LLC, and its subsidiaries. Such products and services include cash management, discretionary asset management and fund administration services and investment agreement, medium-term note and commercial paper programs related to funding assets for third-party clients and for investment purposes.

Our insurance company subsidiaries are subject to various statutory and regulatory restrictions, applicable to insurance companies generally, that limit the amount of cash dividends, loans and advances that those subsidiaries may pay to us. Regulations relating to capital requirements affecting some of our other subsidiaries may also restrict their ability to pay dividends and other distributions and make loans to us. MBIA Corp. paid dividends of $95 million, $839 million and $500 million to MBIA Inc. in 2005, 2006 and 2007, respectively. Portions of the dividends paid in 2006 and all of the dividends paid in 2007 were special dividends paid with the prior approval of the New York Superintendent of Insurance (the Superintendent). MBIA Corp. will not be able to pay dividends without prior approval by the Superintendent until April 2008. The maximum amount of ordinary dividends that MBIA Corp. expects to be able to pay in 2008 is estimated to be between $500 million and $550 million.

We were incorporated as a business corporation under the laws of the State of Connecticut in 1986. Our principal executive offices are located at 113 King Street, Armonk, New York 10504. The telephone number is (914) 273-4545.

Recent Developments

2007 Results

On January 31, 2008, we reported financial results for our fourth quarter and full year ended December 31, 2007.

On February 6, 2008, we announced that in connection with the continuing review and finalizing of our financial results for our fourth quarter and full year 2007, we will decrease our previously announced fourth quarter pre-tax net loss on financial instruments at fair value (mark-to-market) by $110 million and increase

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our previously announced special addition to the unallocated loss reserve for prime, second-lien mortgage exposure by $100 million to $200 million. These changes will result in a $6.5 million decrease to our previously announced net loss for the year and three months ended December 31, 2007.

On January 31, 2008, we established a special addition of $100 million to the unallocated loss reserve to reflect our estimate of probable losses as a result of continuing adverse developments in the residential mortgage market related to prime, second-lien mortgage exposure, but which have not yet been specifically identified to individual policies. Following our January 31, 2008 earnings release for the fourth quarter and year ended December 31, 2007, we conducted a review of information for the month of December 2007 recently received from servicers who provide monthly reports on structured finance transactions. Upon completion of the review of the December 2007 information, we determined to further increase the unallocated loss reserve for potential losses on the second-lien portfolio. Accordingly, we have added another $100 million to our unallocated loss reserve for prime, second-lien loss exposure, resulting in a total special addition of $200 million.

In addition, we stated that we will decrease our previously announced fourth quarter pre-tax mark-to-market net loss and foreign exchange by $110 million. This reduction stems from a $400 million Money Market Committed Preferred Custodial Trust securities (CPCT Securities) facility created for the primary purpose of issuing CPCT Securities and investing the proceeds in high quality commercial paper or short-term U.S. Government obligations. This soft capital facility constitutes a financial instrument which is required to be fair valued (mark-to-market). Accordingly, we also said that we had a $110 million mark-to-market gain on this facility during fiscal 2007.

The financial results set forth below have been updated to reflect these revisions.

The results, as compared with the same period of the prior year, were as follows:

Net loss for the full year 2007 was $1.9 billion, compared with net income of $819.3 million in 2006.

Net loss per share for the full year 2007 was $15.17, compared with net income per share of $5.99 in 2006.

The decline in net income for 2007 was primarily due to a pre-tax net loss of $3.4 billion, or on an after-tax basis, $2.2 billion or $17.47 per share, on financial instruments at fair value and foreign exchange. Significantly wider spreads and ratings downgrades of securities backing collateralized debt obligations (CDO) during the fourth quarter adversely affected the mark-to-market valuation of the Company s insured credit derivatives portfolio. As announced on January 9, 2008, we estimate a credit impairment of $200 million, included in the pre-tax net loss of $3.4 billion, on our insured credit derivatives portfolio for three CDO-squared transactions on which we expect to incur actual losses in the future. We continue to believe that the balance of the mark-to-market losses are not predictive of future claims and, in the absence of further credit impairment, the cumulative marks should reverse over the remaining life of the insured credit derivatives. Additionally, the mark-to-market does not affect rating agency evaluations of MBIA s capital adequacy, except to the extent of impairments.

Also contributing to our pre-tax net loss was $813.5 million of pre-tax loss and loss adjustment expense (LAE) comprising case loss activity of $613.5 million and a special addition of $200 million to the unallocated loss reserve for our prime, second-lien mortgage exposure. The case loss activity reflects our best estimate of probable and reasonably estimable losses.

Mark-to-market losses during the fourth quarter on insured credit derivatives that were reinsured for MBIA by Channel Re (a financial guarantee reinsurer in which MBIA Corp. has a 17.4 percent equity ownership interest) resulted in us adjusting the carrying value of our ownership interest from $85.7 million to zero. The adjustment is reflected in net losses on financial instruments at fair value. Absent further credit impairment, we

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believe that substantially all of the mark-to-market losses on the business reinsured by Channel Re are not predictive of future claims and should reverse over time; therefore, the carrying value of our investment in Channel Re would be adjusted accordingly in the future.

Net loss for the fourth quarter of 2007 was $2.3 billion compared with net income of $181.0 million for the same period of 2006. For the fourth quarter of 2007, net loss per share was $18.55 compared with net income per share of $1.32 for the fourth quarter of 2006.

Earnings per diluted share information

	Three Months Ended December 31,		Year Ended December 31,	
	2006	2007	2006	2007
Net income (loss)	$ 1.32	$ (18.55)	$ 5.99	$ (15.17)

Insurance Operations Results

In 2007, total premiums earned, which include scheduled premiums earned and refunding premiums earned, were $855.6 million compared with $852.6 million in 2006. Scheduled premiums earned in 2007 increased 6 percent to $734.8 million from $691.1 million in 2006, reflecting growth in production, while premiums from refundings decreased 25 percent.

The 25 percent decline in premiums earned from refundings, to $120.8 million in 2007 from $161.5 million in 2006, was largely due to the decrease of advanced refundings of U.S. public finance transactions during the third and fourth quarters of 2007, as spreads between tax-exempt interest rates and rates on Treasury securities, which are used to defease advanced refunding deals, have widened markedly. The acceleration of premiums into earnings due to refundings accounted for 14 percent of total premiums earned for the year, compared with 19 percent in 2006. Earned premiums from refundings accelerate value for shareholders as compared with transactions that remain on the books for the full term of the deal.

For 2007, pre-tax net investment income decreased 1 percent to $572.8 million from $581.1 million in 2006. The decrease is related to lower average invested assets primarily due to the $1 billion of dividends that were paid by MBIA Corp. to MBIA in December 2006 and April 2007. For the fourth quarter of 2007, pre-tax net investment income was level with the fourth quarter of 2006.

Our fees and reimbursements were down 38 percent for the year to $20.8 million from $33.5 million in 2006. In 2006, we received two large expense reimbursements from Eurotunnel and a third from another remediation. In the fourth quarter of 2007, fees and reimbursements were $1.2 million, $3.1 million less than in the fourth quarter of 2006.

Total insurance expenses in 2007 increased to $1.2 billion from $379.3 million during the prior year. For the fourth quarter, total insurance expenses increased to $908.4 million from $104.8 million. The increases for both periods were largely the result of the $836.7 million loss and LAE incurred for the fourth quarter of 2007, described below.

Gross insurance expenses, which are prior to any expense deferrals, were down 8 percent for the year to $248.0 million from $268.4 million in 2006. For the fourth quarter of 2007, gross insurance expenses decreased 19 percent, from $79.3 million to $64.6 million. The decrease in the fourth quarter of 2007 was primarily due to the acceleration of expenses in the fourth quarter of 2006 related to certain existing long-term incentive compensation awards and the adoption of a new retirement plan, as well as a decline in loss prevention expenses.

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In 2007, we incurred $900.3 million in loss and LAE, compared with $80.9 million in 2006. The 2007 expenses consist of our loss reserving formula of 12 percent of scheduled premiums earned, or $86.8 million, and two fourth quarter additions totaling $813.5 million. Total fourth quarter loss and LAE amounted to $836.7 million. Our loss reserving formula of 12 percent of scheduled premiums earned resulted in an unallocated loss reserve addition of $23.1 million for the quarter. We also recorded $613.5 million in case loss activity, which represents our assessment of probable and reasonably estimable losses for our insured exposure to prime, second-lien residential mortgage-backed securities (RMBS) transactions consisting of home equity lines of credit and closed-end second-lien mortgages. We also established a special addition of $200 million to the unallocated loss reserve to reflect our estimate of probable losses as a result of the adverse developments in the residential mortgage market related to prime, second-lien mortgage exposure, but which have not yet been specifically identified to individual policies. After the fourth quarter loss reserving activity, our unallocated loss reserve totaled $434.5 million at December 31, 2007.

The overall credit quality of the insured portfolio remained high with 82.5 percent of the total book of business having underlying ratings of A or better as of December 31, 2007, versus 81.1 percent a year ago. More significantly, the triple-A-rated component of the outstanding insurance portfolio has increased to 24.6 percent from 20.9 percent at the end of 2006. Also, the percentage of the portfolio rated below investment grade on an S&P priority basis decreased to 1.4 percent as of December 31, 2007 from 1.9 percent as of December 31, 2006. (Our 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 under the S&P priority basis as of December 31, 2007.) The largest reduction in the below investment grade-rated portion of the insured portfolio resulted from the elimination of our $1.6 billion exposure to Eurotunnel during 2007. Based on our internal ratings, the percentage of the portfolio rated below investment grade increased to 2.1 percent as of December 31, 2007, from 1.2 percent as of December 31, 2006.

Our pre-tax operating income, excluding net realized gains and losses and net gains and losses on financial instruments at fair value (with the exception of credit impairment) and foreign exchange, from insurance operations for 2007 declined 94 percent to $67.0 million compared with $1.1 billion for 2006. The decline was due to the fourth quarter 2007 additional loss activity of $813.5 million and credit impairment in the insured derivatives portfolio of $200 million.

Investment Management Services

For 2007, pre-tax operating income, excluding net realized gains and losses and net gains and losses on financial instruments at fair value and foreign exchange, for Investment Management Services was up 9 percent, from $101.2 million to $110.0 million due to higher average assets under management (AUM). The market value of average AUM for 2007, including conduit assets of $4.3 billion, was $66.1 billion, up 18 percent from $56.0 billion for 2006. Strong growth in the asset liability products segment from increased volume of investment agreements and medium-term notes, and increased balances managed in the municipal investment pool and customized asset management business in the advisory services segment, contributed to the increase in AUM.

Within the advisory services segment, we were the investment manager of the structured investment vehicle (SIV) named Hudson-Thames, acting under an investment management agreement and at the direction of an independent board of directors. Launched at the end of 2006, Hudson-Thames had $2 billion of assets at its peak. We also invested $15.8 million in the capital notes of Hudson-Thames, representing 12 percent of the capital notes. During the summer of 2007, adverse conditions in the structured finance and SIV markets inhibited Hudson-Thames from issuing new senior notes (primarily commercial paper) to repay maturing notes. During the fourth quarter, at the direction of the Hudson-Thames board of directors, all of the remaining assets of Hudson-Thames were sold, all of its senior liabilities were fully paid, and in December 2007, Hudson-Thames ceased operations. Overall results for 2007 reflect the impairment of MBIA s capital notes and unreimbursed expenses, which combined totaled $8.2 million, of which $3.7 million was recorded in the fourth quarter.

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Corporate

For 2007, the corporate pre-tax operating loss, excluding net realized gains and losses and net gains and losses on financial instruments at fair value and foreign exchange, increased 4 percent to $89.0 million from a loss of $85.8 million in 2006. The increased operating loss reflects a $10 million increase in corporate expenses during 2007, primarily related to higher expense allocations from the insurance company, partially offset by $6.4 million in insurance recoveries. The insurance recoveries represent payments under directors and officers insurance policies, under which we are being reimbursed for a portion of the expenses incurred for regulatory investigations and related litigation in prior periods. For the fourth quarter of 2007, the pre-tax operating loss was $25.8 million, 5 percent greater than the $24.7 million loss for the fourth quarter of 2006. At December 31, 2007, MBIA Inc. had cash and investments totaling $433.9 million.

Gains and Losses

In 2007, we recorded net realized gains of $51.3 million for all business operations, compared with net realized gains of $15.4 million in 2006. For the fourth quarter of 2007, we recorded net realized gains of $24.1 million compared with $5.1 million of net realized losses for the fourth quarter of 2006. The year-over-year changes were primarily due to customary activity associated with the management of our investment portfolio.

Consistent with our policy for evaluating all of our investments to assess whether any declines in fair value below amortized cost are other than temporary, we identified two holdings totaling $37 million in amortized cost in the asset liability products segment for which we took a $20 million write-down in the fourth quarter of 2007. Both holdings are structured finance assets, one of which is a SIV managed by a third party, and the other is an uninsured CDO.

We recorded pre-tax net losses on financial instruments at fair value and foreign exchange of $3.4 billion for all business operations in 2007, compared with pre-tax net gains of $14.5 million in 2006. For the fourth quarter, net losses were $3.0 billion in 2007 compared with a net gain of $4.0 million in 2006.

The $3.4 billion net loss in 2007 includes a non-cash net loss of $3.7 billion for our insured credit derivatives portfolio, partially offset by a non-cash $0.2 billion net gain from our Investment Management Services operations derivatives portfolio and a non-cash $0.1 billion mark-to-market gain on our $400 million soft capital facility. When we write credit protection in the form of a credit default swap, we account for the transaction under the requirements of Statement of Financial Accounting Standards No. 133 (SFAS 133), Accounting for Derivative Instruments and Hedging Activities. Under SFAS 133, these transactions must be marked-to-market and the change in fair value recorded in our income statement. The majority of these credit default swaps provide guarantees for structured finance transactions with underlying collateral of CDOs backed by various assets including RMBS, commercial real estate securities (structured commercial mortgage-backed securities (CMBS) pools), CDOs and other asset-backed securities, corporate bonds and loans. These transactions are typically underwritten at or above a triple-A underlying rating level.

Approximately two-thirds of our fourth quarter $3.4 billion mark-to-market loss on the insured credit derivatives portfolio resulted from wider spreads for CMBS and RMBS collateral and the remaining one-third was primarily due to ratings downgrades of the collateral comprising insured credit derivatives for multi-sector CDO structures.

Our insured credit derivatives contracts have similar terms and conditions to our financial guarantee insurance contracts, and we are not required to post collateral to a counterparty, thereby avoiding the liquidity risks more typical of market standard credit default swaps. We manage our insured credit derivatives portfolio the same way we manage our other insurance contracts, including the same monitoring process to detect impairment. As a result of our fourth quarter review for losses, we estimated that $200 million of our fourth quarter mark-to-market represents estimated credit impairment related to three CDO-squared transactions on which we expect to incur actual claims in the future. However, we continue to believe that the balance of the mark-to-market losses are not predictive of future claims and, in the absence of further credit impairment, the cumulative marks should reverse over the remaining life of the insured credit derivatives.

As mentioned earlier, during the fourth quarter of 2007, we adjusted our 17.4 percent equity ownership interest in Channel Re from a carrying value of $85.7 million to zero. Channel Re has been placed on review for a possible downgrade by Moody s. If Channel Re is downgraded, we do not believe such downgrade will materially affect our ability to raise sufficient capital to cover the rating agencies capital requirements upon completion of our capital plan described below under MBIA Capital Plan.

Book Value

Our book value per share at December 31, 2007 decreased to $29.16 from $53.43 at December 31, 2006, which includes a $19.24 impact from the third and fourth quarters mark-to-market from our structured credit derivatives portfolio.

Share Repurchase

We repurchased $660 million shares of our common stock in the first three quarters of 2007. During the third quarter, we halted our share repurchase activity in light of the growing concerns over the mortgage and structured finance markets. While approximately $340 million remains available under our $1 billion share buyback program, which was authorized by our board of directors in February 2007, we have suspended our share repurchase program.

Holding Company Liquidity

MBIA Inc. has a number of liquidity sources available to meet annual cash requirements and repay debt. In addition to dividends from MBIA Corp., as of December 31, 2007, MBIA Inc. had $434 million in unpledged, unrestricted cash and investments, and a $500 million revolving credit facility with several money center banks. Although the credit facility contains financial covenants, the losses sustained by the Company to date do not create a breach of those covenants. MBIA Inc. was in compliance with these covenants at year end, and remains in compliance at the time of this offering. MBIA Inc. can use the cash balances, revolving credit facility, dividends from MBIA Corp. and its other subsidiaries, earnings in its unregulated business units, and interest income on the MBIA Inc. cash balances to meet MBIA Inc. cash expenses. MBIA Inc. s fixed cash expenses include interest on the $1.2 billion of MBIA Inc. debt, and certain expenses primarily related to its status as a public company. (The surplus notes issued by MBIA Corp. on January 16, 2008 (the Surplus Notes) are not an obligation of MBIA Inc., and any payments on such Surplus Notes will be met by the resources of MBIA Corp.) In 2007, MBIA Inc. s fixed cash expenses amounted to approximately $110 million. In addition, MBIA Inc. had cash requirements related to the common shareholder dividends of $173 million in 2007. After an announced reduction in the annual dividend from $1.36 per share to $.52 per share, the issuance of 16.1 million shares to Warburg Pincus on January 30, 2008 and the expected issuance of approximately 50 million additional shares pursuant to this offering, annual dividend expense is projected to be approximately $100 million in 2008. For a description of risks related to our liquidity and capital resources, see Risk Factors An inability to access capital could adversely affect liquidity, impact MBIA Corp. s ability to write new business and adversely affect our business, operating results and financial condition and Risk Factors Our holding company structure and certain regulatory and other constraints could affect our ability to pay dividends and make other payments.

Financial Statements (unaudited)

Beginning with fiscal year 2007 results, MBIA reformatted its Consolidated Statement of Income from a segmented structure that presented revenue and expense results for each business operation to a structure that combines and presents these results in consolidated form. Consequently, certain items in the Statement of Income for the year ended December 31, 2006 do not match the corresponding items presented in Selected Financial Information included herein or reports previously filed with the SEC.

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MBIA INC. AND SUBSIDIARIES

STATEMENTS OF INCOME

(dollars in thousands)

	Year Ended December 31, 2007 (Unaudited)					
	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)

(1) Eliminations include:
Elimination of intercompany premium income and expense.
Elimination of intercompany asset management fees and expenses.
Elimination of intercompany interest income and expense pertaining to intercompany receivables and payables.

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	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)		