



Capital Strength. Triple-A Performance.

# MBIA Inc. Quarterly Operating Supplement

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December 31, 2002

Fourth Quarter 2002



**MBIA INC. AND SUBSIDIARIES**  
**QUARTERLY OPERATING SUPPLEMENT**

**Fourth Quarter 2002**

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**Consolidated Balance Sheets**  
(dollars in thousands except per share)

	<u>December 31, 2002</u>	<u>December 31, 2001</u>
<b>Assets</b>		
Investments:		
Fixed-Maturity Securities Held as Available-for-Sale at Fair Value (Amortized Cost \$7,555,978 and \$7,274,848)	\$ 8,093,650	\$ 7,421,023
Short-Term Investments	687,238	293,791
Other Investments	212,673	135,376
	<u>8,993,561</u>	<u>7,850,190</u>
Investment Agreement and Medium-Term Note Portfolios Held as Available-for-Sale at Fair Value (Amortized Cost \$7,080,870 and \$5,957,089)	7,433,615	6,079,066
Investment Agreement Portfolio Pledged as Collateral at Fair Value (Amortized Cost \$646,287 and \$577,790)	667,854	586,915
Total Investments	<u>17,095,030</u>	<u>14,516,171</u>
Cash and Cash Equivalents	83,218	115,040
Accrued Investment Income	215,265	181,984
Deferred Acquisition Costs	302,222	277,699
Prepaid Reinsurance Premiums	521,641	507,079
Reinsurance Recoverable on Unpaid Losses	43,828	35,090
Goodwill	90,041	97,772
Property and Equipment (Net of Accumulated Depreciation)	128,441	129,004
Receivable for Investments Sold	91,767	157,864
Derivative Assets	191,755	92,372
Other Assets	88,893	89,610
<b>Total Assets</b>	<u><u>\$18,852,101</u></u>	<u><u>\$16,199,685</u></u>
<b>Liabilities and Shareholders' Equity</b>		
<b>Liabilities:</b>		
Deferred Premium Revenue	\$ 2,755,046	\$ 2,565,096
Loss and Loss Adjustment Expense Reserves	573,275	518,389
Investment Agreement and Medium-Term Note Obligations	6,666,595	5,150,374
Investment Repurchase Agreement Obligations	563,967	904,744
Securities Sold Under Agreements to Repurchase	539,561	555,496
Long-Term Debt	1,033,070	805,062
Short-Term Debt	---	47,751
Current Income Taxes	17,648	22,419
Deferred Income Taxes	471,534	272,665
Deferred Fee Revenue	24,838	27,629
Payable for Investments Purchased	58,436	130,098
Derivative Liabilities	309,749	110,433
Other Liabilities	345,031	306,891
<b>Total Liabilities</b>	<u>13,358,750</u>	<u>11,417,047</u>
<b>Shareholders' Equity:</b>		
Common Stock	152,555	151,951
Additional Paid-in Capital	1,239,313	1,195,802
Retained Earnings	3,895,112	3,415,517
Accumulated Other Comprehensive Income	541,250	145,321
Unallocated ESOP Shares	(653)	(1,983)
Unearned Compensation - Restricted Stock	(12,646)	(11,335)
Treasury Stock	(321,580)	(112,635)
<b>Total Shareholders' Equity</b>	<u>5,493,351</u>	<u>4,782,638</u>
<b>Total Liabilities and Shareholders' Equity</b>	<u><u>\$18,852,101</u></u>	<u><u>\$16,199,685</u></u>
<b>Book Value Data</b>		
Book Value Per Share	\$ 37.95	\$ 32.24
After-tax Value of:		
Net Deferred Premium Revenue, net of DAC	8.68	7.81
Present Value of Installment Premiums	5.84	4.68
Unrealized Gains (Losses) on Investment Contract Liabilities	(0.70)	0.28
Adjusted Book Value Per Share	<u>\$ 51.77</u>	<u>\$ 45.01</u>

**Consolidated Statements of Income**  
(dollars in thousands except per share)

	Three Months Ended December 31		Year Ended December 31	
	2002	2001	2002	2001
<b>Insurance Operations</b>				
Revenues:				
Gross Premiums Written	\$ 321,594	\$ 255,040	\$ 951,931	\$ 865,226
Ceded Premiums	(52,395)	(61,953)	(198,526)	(235,362)
Net Premiums Written	269,199	193,087	753,405	629,864
Scheduled Premiums Earned	135,595	123,754	514,064	469,225
Refunding Premiums Earned	21,507	17,292	74,445	54,645
Premiums Earned	157,102	141,046	588,509	523,870
Net Investment Income	109,405	103,334	432,949	412,763
Advisory Fees	12,441	11,680	50,747	39,287
Total Insurance Revenues	278,948	256,060	1,072,205	975,920
Expenses:				
Losses and LAE Incurred	16,272	15,285	61,688	56,651
Amortization of Deferred Acquisition Costs	12,725	11,424	47,669	42,433
Operating	23,309	21,887	87,401	80,498
Total Insurance Expenses	52,306	48,596	196,758	179,582
Insurance Income	226,642	207,464	875,447	796,338
<b>Investment Management Services</b>				
Revenues	27,805	27,217	110,917	125,929
Expenses	16,351	13,682	61,446	62,910
Investment Management Services Income	11,454	13,535	49,471	63,019
<b>Municipal Services</b>				
Revenues	7,225	6,810	24,810	27,037
Expenses	7,115	7,419	24,408	29,951
Municipal Services Income (Loss)	110	(609)	402	(2,914)
<b>Corporate</b>				
Net Investment Income	2,601	2,018	9,426	6,899
Interest Expense	17,522	12,228	58,453	56,445
Corporate Expenses	5,352	4,905	17,259	20,874
Corporate Loss	(20,273)	(15,115)	(66,286)	(70,420)
<b>Gains and Losses</b>				
Net Realized Gains	14,263	6,499	15,424	8,896
Change in Fair Value of Derivative Instruments	(70,381)	(1,362)	(81,877)	(3,935)
Net Gains and Losses	(56,118)	5,137	(66,453)	4,961
Income Before Income Taxes	161,815	210,412	792,581	790,984
Provision for Income Taxes	40,431	53,974	205,763	207,826
Income Before Cumulative Effect of Accounting Changes	121,384	156,438	586,818	583,158
Cumulative Effect of Accounting Changes	-	-	(7,731)	(13,067)
<b>Net Income</b>	<b>\$ 121,384</b>	<b>\$ 156,438</b>	<b>\$ 579,087</b>	<b>\$ 570,091</b>
<b>Net Income per Common Share:</b>				
Basic	\$ 0.84	\$ 1.05	\$ 3.95	\$ 3.85
Diluted	\$ 0.84	\$ 1.05	\$ 3.92	\$ 3.82
Weighted-Average Common Shares Outstanding:				
Basic	144,430,185	148,325,205	146,634,204	148,190,890
Diluted	145,094,849	149,301,428	147,574,079	149,282,657
<b>Net Income Per Share Information<sup>(1) (2)</sup></b>				
Net Income	\$ 0.84	\$ 1.05	\$ 3.92	\$ 3.82
Cumulative Effect of Accounting Changes	0.00	0.00	(0.05)	(0.09)
Net Income Before Accounting Changes	0.84	1.05	3.98	3.91
Net Realized Gains	0.06	0.03	0.07	0.04
Change in Fair Value of Derivative Instruments	(0.32)	(0.01)	(0.36)	(0.02)
Operating Income	1.09	1.03	4.27	3.88
Earnings from Refunded Issues	0.09	0.07	0.30	0.22
Operating Income Excluding Refundings	\$ 1.00	\$ 0.96	\$ 3.97	\$ 3.67
<b>Income and Expenses</b>				
Total Revenues	\$ 260,461	\$ 297,242	\$ 1,150,905	\$ 1,140,746
Total Expenses	\$ 98,646	\$ 86,830	\$ 358,324	\$ 349,762
Pre-tax Operating Income	\$ 217,933	\$ 205,275	\$ 859,034	\$ 786,023
After-tax Operating Income	\$ 157,861	\$ 153,100	\$ 630,012	\$ 579,934

(1) Based on weighted-average diluted common shares.

(2) May not add due to rounding.

**Summary Financial Information**  
(dollars in thousands except per share)

GAAP Basis	4th Quarter		Year	
	2002	2001	2002	2001
<u>Financial Ratios</u>				
Loss and LAE Ratio	10.4%	10.8%	10.5%	10.8%
Underwriting Expense Ratio	22.9%	23.6%	23.0%	23.5%
Combined Ratio	33.3%	34.4%	33.5%	34.3%
<u>Share Data</u>				
Net Earnings (Diluted)	\$ 0.84	\$ 1.05	\$ 3.92	\$ 3.82
Book Value	\$ 37.95	\$ 32.24	\$ 37.95	\$ 32.24
Adjusted Book Value (1)	\$ 51.77	\$ 45.01	\$ 51.77	\$ 45.01
Dividends:				
Declared	\$ 0.170	\$ 0.150	\$ 0.680	\$ 0.600
Paid	\$ 0.170	\$ 0.150	\$ 0.660	\$ 0.587
<u>Common Shares Outstanding</u>				
Weighted-Average (Diluted) (000)	145,095	149,301	147,574	149,283
Actual (000)	144,743	148,341	144,743	148,341
<u>Effective Tax Rates</u>				
Net Investment Income (2)	25.2%	18.2%	21.6%	20.0%
Underwriting and Other Income	35.0%	35.0%	35.0%	35.0%
Total Income	25.0%	25.7%	26.0%	26.3%

Statutory Basis	4th Quarter		Year	
	2002	2001	2002	2001
<u>Financial Ratios</u>				
Loss and LAE Ratio	10.2%	11.6%	9.4%	9.3%
Underwriting Expense Ratio	14.0%	10.7%	16.8%	13.4%
Combined Ratio	24.2%	22.3%	26.2%	22.7%
<u>Balance Sheet</u>				
	<b>12/31/2002</b>	<b>12/31/2001</b>		
Capital and Surplus	\$ 3,158,009	\$ 2,857,439		
Contingency Reserve	2,276,834	2,082,103		
Capital Base	5,434,843	4,939,542		
Unearned Premium Reserve	2,774,122	2,607,239		
Present Value of Installment Premiums	1,300,107	1,068,391		
Premium Resources	4,074,229	3,675,630		
Loss and LAE Reserves	244,899	210,945		
Standby Line of Credit/Stop Loss	1,260,720	1,260,720		
Total Claims-Paying Resources	\$ 11,014,691	\$ 10,086,837		
Net Debt Service Outstanding	\$ 781,589,370	\$ 722,407,859		
Capital Ratio (3)	144:1	146:1		
Claims-Paying Ratio (4)	82:1	82:1		

(1) Equals book value plus after-tax deferred premium revenue (net of prepaid reinsurance premiums and deferred acquisition costs), plus after-tax present value of future anticipated installment premiums, plus the after-tax unrealized gain or loss on investment contract liabilities.

(2) Includes net investment income and net realized gains or losses from Insurance Operations, Investment Management Services, Municipal Services and the Corporate segments.

(3) Net debt service outstanding divided by capital base.

(4) Net debt service outstanding divided by the sum of capital base, unearned premium reserve (after-tax), loss and LAE reserves, present value of installment premiums (after-tax), and standby line of credit/stop loss.

**Annual Financial and Statistical Data**  
(dollars in millions except per share amounts)

	2002	2001	2000	1999	1998	1997	1996	1995	1994	1993
<b>GAAP Summary Income Statement Data</b>										
Insurance										
Gross Premiums Written	\$ 952	\$ 865	\$ 687	\$ 625	\$ 677	\$ 654	\$ 535	\$ 406	\$ 405	\$ 504
Premiums Earned	589	524	446	443	425	351	294	244	241	249
Net Investment Income	433	413	394	359	332	302	265	233	204	189
Total Insurance Expenses	197	180	170	315	140	141	117	100	89	86
Insurance Income	875	796	698	515	643	530	453	385	360	353
Investment Management Services										
Income (Loss)	49	63	56	41	29	17	18	11	5	(1)
Income Before Income Taxes	793	791	715	388	565	525	448	375	347	339
<b>Net Income</b>	<b>579</b>	<b>570</b>	<b>529</b>	<b>321</b>	<b>433</b>	<b>406</b>	<b>348</b>	<b>290</b>	<b>270</b>	<b>268</b>
<b>Net Income Per Common Share:</b>										
<b>Basic</b>	<b>\$ 3.95</b>	<b>\$ 3.85</b>	<b>\$ 3.58</b>	<b>\$ 2.15</b>	<b>\$ 2.91</b>	<b>\$ 2.79</b>	<b>\$ 2.45</b>	<b>\$ 2.14</b>	<b>\$ 2.00</b>	<b>\$ 2.00</b>
<b>Diluted</b>	<b>\$ 3.92</b>	<b>\$ 3.82</b>	<b>\$ 3.56</b>	<b>\$ 2.13</b>	<b>\$ 2.88</b>	<b>\$ 2.75</b>	<b>\$ 2.41</b>	<b>\$ 2.10</b>	<b>\$ 1.97</b>	<b>\$ 1.95</b>
<b>GAAP Summary Balance Sheet Data</b>										
Total Investments	\$ 17,095	\$ 14,516	\$ 12,233	\$ 10,694	\$ 10,080	\$ 8,908	\$ 8,008	\$ 6,937	\$ 5,069	\$ 3,735
Total Assets	18,852	16,200	13,894	12,264	11,826	10,387	9,033	7,671	5,712	4,320
Deferred Premium Revenue	2,755	2,565	2,398	2,311	2,251	2,090	1,854	1,662	1,538	1,413
Loss and LAE Reserves	573	518	499	467	300	105	72	50	47	37
Investment and Repurchase										
Agreement and Medium-Term										
Note Obligations	7,231	6,055	4,789	4,513	3,485	3,151	3,259	2,642	1,526	493
Long-Term Debt	1,033	805	795	689	689	489	389	389	314	314
Shareholders' Equity	5,493	4,783	4,223	3,513	3,792	3,362	2,761	2,497	1,881	1,761
Book Value Per Share	37.95	32.24	28.59	23.56	25.43	22.73	19.32	18.01	13.95	13.18
Dividends Declared										
Per Common Share	0.680	0.600	0.547	0.537	0.527	0.513	0.483	0.437	0.380	0.313
<b>Statutory Data</b>										
Net Income	\$ 618	\$ 571	\$ 544	\$ 522	\$ 510	\$ 404	\$ 335	\$ 287	\$ 229	\$ 263
Capital and Surplus	3,158	2,858	2,382	2,413	2,290	1,952	1,661	1,469	1,250	1,124
Contingency Reserve	2,277	2,082	2,123	1,739	1,451	1,188	959	788	652	561
Capital Base	5,435	4,940	4,505	4,152	3,741	3,140	2,620	2,257	1,902	1,685
Unearned Premium Reserve	2,774	2,607	2,465	2,376	2,324	2,193	1,971	1,768	1,640	1,484
Present Value of										
Installment Premiums	1,300	1,068	886	732	644	537	443	347	249	234
Premium Resources	4,074	3,675	3,351	3,108	2,968	2,730	2,414	2,115	1,889	1,718
Loss and LAE Reserves	245	211	209	204	188	15	10	7	22	8
Standby Line of Credit / Stop Loss	1,261	1,261	1,075	1,075	900	900	775	700	650	625
<b>Total Claims-Paying Resources</b>	<b>11,015</b>	<b>10,087</b>	<b>9,140</b>	<b>8,539</b>	<b>7,797</b>	<b>6,785</b>	<b>5,819</b>	<b>5,079</b>	<b>4,463</b>	<b>4,036</b>
<b>Financial Ratios</b>										
<u>GAAP</u>										
Loss and LAE Ratio	10.5%	10.8%	11.5%	44.8%	8.2%	9.1%	6.9%	5.6%	3.9%	3.5%
Underwriting Expense Ratio	23.0	23.5	26.7	26.4	24.7	31.0	32.9	35.2	32.9	31.2
Combined Ratio	33.5	34.3	38.2	71.2	32.9	40.1	39.8	40.8	36.8	34.7
<u>Statutory</u>										
Loss and LAE Ratio	9.4	9.3	6.2	12.3	8.0	1.2	1.7	0.4	8.7	(3.3)
Underwriting Expense Ratio	16.8	13.4	22.1	23.6	16.8	21.2	22.8	27.2	28.3	22.0
Combined Ratio	26.2	22.7	28.3	35.9	24.8	22.4	24.5	27.6	37.0	18.7
<b>Net Debt Service Outstanding</b>	<b>\$ 781,589</b>	<b>\$ 722,408</b>	<b>\$ 680,878</b>	<b>\$ 635,883</b>	<b>\$ 595,895</b>	<b>\$ 513,736</b>	<b>\$ 434,417</b>	<b>\$ 359,175</b>	<b>\$ 315,340</b>	<b>\$ 273,630</b>
<b>Net Par Amount Outstanding</b>	<b>\$ 497,343</b>	<b>\$ 452,409</b>	<b>\$ 418,443</b>	<b>\$ 384,459</b>	<b>\$ 359,472</b>	<b>\$ 303,803</b>	<b>\$ 252,896</b>	<b>\$ 201,326</b>	<b>\$ 173,760</b>	<b>\$ 147,326</b>

**Direct Par Value and Adjusted Direct Premiums**  
(dollars in millions)

	4th Quarter		Year	
	2002	2001	2002	2001
<b><u>Global Public Finance</u></b> <sup>(1)</sup>				
<b>United States</b>				
Par Value Insured	\$ 18,742	\$ 15,223	\$ 55,072	\$ 42,229
ADP <sup>(2)</sup>	\$ 163.9	\$ 158.4	\$ 451.4	\$ 419.2
<b>Non-United States</b>				
Par Value Insured	1,738	439	5,619	4,816
ADP <sup>(2)</sup>	45.3	16.7	206.3	232.7
<b>Total Global Public Finance</b>				
Par Value Insured	20,480	15,662	60,691	47,045
ADP <sup>(2)</sup>	209.2	175.1	657.7	651.9
<b><u>Global Structured Finance</u></b> <sup>(1)</sup>				
<b>United States</b>				
Par Value Insured	10,662	15,594	56,259	62,013
ADP <sup>(2)</sup>	61.2	73.9	389.3	288.1
<b>Non-United States</b>				
Par Value Insured	7,258	2,509	22,705	12,114
ADP <sup>(2)</sup>	42.9	44.4	157.2	101.5
<b>Total Global Structured Finance</b>				
Par Value Insured	17,920	18,103	78,964	74,127
ADP <sup>(2)</sup>	104.1	118.3	546.5	389.6
<b><u>Grand Totals</u></b>				
Par Value Insured	\$ 38,400	\$ 33,765	\$ 139,655	\$ 121,172
ADP <sup>(2)</sup>	\$ 313.3	\$ 293.4	\$ 1,204.2	\$ 1,041.5

(1) For the fourth quarter of 2002, Par does not include assumed business written in the amount of \$14 million and for the fourth quarter of 2001, Par and ADP do not include \$90 million and \$2.5 million. For the year, Par and ADP do not include \$74 million and \$6.1 million for 2002 and \$724 million and \$11.7 million for 2001.

(2) Adjusted direct premiums ("ADP") represents upfront premiums and the estimated present value of current and future installment premiums for policies issued in the period.

**Gross Premiums Written**  
(dollars in millions)

	4th Quarter		Year	
	2002	2001	2002	2001
<b>Global Public Finance</b>				
<b>United States</b>				
Upfront	\$ 158.9	\$ 133.4	\$ 397.5	\$ 337.4
Installments	\$ <u>7.5</u>	\$ <u>9.7</u>	\$ <u>37.2</u>	\$ <u>37.3</u>
Total Gross Premiums	\$ 166.4	\$ 143.1	\$ 434.7	\$ 374.7
<b>Non-United States</b>				
Upfront	42.5	3.7	53.2	102.1
Installments	<u>1.4</u>	<u>12.6</u>	<u>37.6</u>	<u>36.1</u>
Total Gross Premiums	43.9	16.3	90.8	138.2
<b>Total Global Public Finance</b>				
Upfront	201.4	137.1	450.7	439.5
Installments	<u>8.9</u>	<u>22.3</u>	<u>74.8</u>	<u>73.4</u>
Total Gross Premiums	210.3	159.4	525.5	512.9
<b>Global Structured Finance</b>				
<b>United States</b>				
Upfront	3.4	4.6	19.6	8.4
Installments	<u>74.9</u>	<u>61.9</u>	<u>273.6</u>	<u>231.3</u>
Total Gross Premiums	78.3	66.5	293.2	239.7
<b>Non-United States</b>				
Upfront	-	-	11.6	1.7
Installments	<u>33.0</u>	<u>29.1</u>	<u>121.6</u>	<u>110.9</u>
Total Gross Premiums	33.0	29.1	133.2	112.6
<b>Total Global Structured Finance</b>				
Upfront	3.4	4.6	31.2	10.1
Installments	<u>107.9</u>	<u>91.0</u>	<u>395.2</u>	<u>342.2</u>
Total Gross Premiums	111.3	95.6	426.4	352.3
<b>Grand Totals</b>				
Upfront	\$ 204.8	\$ 141.7	\$ 481.9	\$ 449.6
Installments	\$ <u>116.8</u>	\$ <u>113.3</u>	\$ <u>470.0</u>	\$ <u>415.6</u>
Total Gross Premiums	\$ 321.6	\$ 255.0	\$ 951.9	\$ 865.2



**Debt Service and Premiums <sup>(1)</sup>**  
(dollars in millions)

	<b>Insured</b>			<b>Net Retired</b>	<b>Ending Net Outstanding</b>
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>		
4th Qtr. 2002	\$ 52,964	\$ 9,274	\$ 43,690	\$ 25,676	\$ 781,589
3rd	61,283	13,402	47,881	25,919	763,575
2nd	52,908	8,530	44,378	29,553	741,613
1st	31,469	5,437	26,032	21,652	726,788
4th Qtr. 2001	49,069	9,845	39,224	34,788	722,408
3rd	31,179	6,575	24,604	23,176	717,972
2nd	51,256	8,130	43,126	26,965	716,544
1st	39,540	3,073	36,467	16,962	700,383
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
1995	100,048	12,973	87,075	43,240	359,175
1994	85,781	11,264	74,517	32,807	315,340
1993	98,121	10,842	87,279	38,869	273,630
1992	70,343	6,580	63,763	23,147	225,220

	<b>Written</b>			<b>Net Earned <sup>(2)</sup></b>	<b>Ending Net Unearned <sup>(3)</sup></b>
	<b>Gross</b>	<b>Ceded</b>	<b>Net</b>		
4th Qtr. 2002	\$ 321.6	\$ 52.4	\$ 269.2	\$ 157.1	\$ 2,233.4
3rd	237.7	57.7	180.0	154.6	2,117.1
2nd	205.8	36.1	169.7	137.8	2,091.6
1st	186.8	52.3	134.5	139.0	2,053.5
4th Qtr. 2001	255.0	61.9	193.1	141.0	2,058.0
3rd	218.7	75.2	143.5	134.5	2,006.0
2nd	206.6	43.0	163.6	128.2	1,995.6
1st	184.9	55.1	129.8	120.1	1,959.6
2002	\$ 951.9	\$ 198.5	\$ 753.4	\$ 588.5	\$ 2,233.4
2001	865.2	235.3	629.9	523.9	2,058.0
2000	687.4	189.3	498.1	446.4	1,955.0
1999	624.9	171.3	453.6	442.8	1,907.5
1998	677.1	156.1	521.0	424.6	1,898.5
1997	653.8	116.5	537.3	351.5	1,800.9
1996	535.3	70.0	465.3	294.0	1,618.8
1995	406.0	61.2	344.8	244.3	1,448.0
1994	405.5	60.4	345.1	241.4	1,346.1
1993	504.0	51.1	452.9	248.7	1,242.2
1992	377.3	34.2	343.1	169.2	1,037.7

(1) All data retroactively adjusted to reflect the merger with CapMAC Holdings, Inc. effective February 17, 1998.

(2) Written premiums plus the change in the unearned premium reserve does not equal earned premium due to foreign exchange currency translations.

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

**Net Debt Service Amortization <sup>(1)</sup>**

As of December 31, 2002

(dollars in millions)

	Scheduled Net Debt Service Amortization	Ending Net Debt Service Outstanding
4th Qtr. 2002		\$ 781,589
1st Qtr. 2003	\$ 12,821	768,768
2nd Qtr. 2003	13,989	754,779
3rd Qtr. 2003	14,137	740,642
4th Qtr. 2003	13,940	726,702
2004	58,946	667,756
2005	50,052	617,704
2006	52,549	565,155
2007	64,697	500,458
2008-2012	183,471	316,987
2013-2017	119,074	197,913
2018-2022	88,776	109,137
2023 and thereafter	<u>109,137</u>	-
Total	<u>\$ 781,589</u>	

**Net Unearned Premium Amortization and Estimated  
Future Installment Premiums <sup>(1)</sup>**

As of December 31, 2002

(dollars in millions)

	Unearned Premiums <sup>(2)</sup>	Unearned Premium Amortization Upfront	Unearned Premium Amortization Installments	Expected Installments <sup>(3)</sup>	Total Premium Earnings
4th Qtr. 2002	\$ 2,233.4				
1st Qtr. 2003	2,142.8	\$ 53.3	\$ 37.3	\$ 47.5	\$ 138.1
2nd Qtr. 2003	2,081.9	52.3	8.6	78.0	138.9
3rd Qtr. 2003	2,025.6	51.0	5.3	77.0	133.3
4th Qtr. 2003	1,973.0	50.1	2.5	75.2	127.8
2004	1,773.8	192.0	7.2	264.7	463.9
2005	1,588.4	178.9	6.5	222.9	408.3
2006	1,417.6	165.3	5.5	190.3	361.1
2007	1,264.9	148.4	4.3	154.0	306.7
2008-2012	696.8	555.1	13.0	407.2	975.3
2013-2017	344.0	345.9	6.9	199.2	552.0
2018-2022	136.9	202.6	4.5	150.9	358.0
2023 and thereafter	-	<u>133.1</u>	<u>3.8</u>	<u>196.0</u>	<u>332.9</u>
Total		<u>\$ 2,128.0</u>	<u>\$ 105.4</u>	<u>\$ 2,062.9</u>	<u>\$ 4,296.3</u>

(1) Depicts existing insured issues portfolio as of the current period only. Does not include effects of any future writings and assumes no insured bond refundings or changes in prepayment speed.

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

(3) Represents installment-based future collections.

**Premiums Earned Analysis**  
(dollars in thousands)

2002	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
<b>Global Public Finance</b>					
<b>United States</b>					
Upfront	\$ 59,359	\$ 56,234	\$ 68,691	\$ 67,593	\$ 251,877
Installment	8,751	8,399	7,003	8,094	32,247
Total	68,110	64,633	75,694	75,687	284,124
<b>Non-United States</b>					
Upfront	2,835	2,919	3,103	3,408	12,265
Installment	3,415	3,706	3,685	4,079	14,885
Total	6,250	6,625	6,788	7,487	27,150
<b>Total Global Public Finance</b>					
Upfront	62,194	59,153	71,794	71,001	264,142
Installment	12,166	12,105	10,688	12,173	47,132
Total	74,360	71,258	82,482	83,174	311,274
<b>Global Structured Finance</b>					
<b>United States</b>					
Upfront	2,910	2,227	(1,620)	402	3,919
Installment	46,576	46,999	54,170	53,993	201,738
Total	49,486	49,226	52,550	54,395	205,657
<b>Non-United States</b>					
Upfront	1,001	1,031	2,372	1,032	5,436
Installment	14,191	16,254	17,196	18,501	66,142
Total	15,192	17,285	19,568	19,533	71,578
<b>Total Global Structured Finance</b>					
Upfront	3,911	3,258	752	1,434	9,355
Installment	60,767	63,253	71,366	72,494	267,880
Total	64,678	66,511	72,118	73,928	277,235
<b>Grand Totals</b>					
Upfront	66,105	62,411	72,546	72,435	273,497
Installment	72,933	75,358	82,054	84,667	315,012
Total	\$ 139,038	\$ 137,769	\$ 154,600	\$ 157,102	\$ 588,509

2001	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
<b>Global Public Finance</b>					
<b>United States</b>					
Upfront	\$ 51,396	\$ 55,514	\$ 56,621	\$ 60,175	\$ 223,706
Installment	8,495	7,586	7,773	8,759	32,613
Total	59,891	63,100	64,394	68,934	256,319
<b>Non-United States</b>					
Upfront	1,828	2,825	2,674	2,545	9,872
Installment	1,287	2,731	3,876	2,238	10,132
Total	3,115	5,556	6,550	4,783	20,004
<b>Total Global Public Finance</b>					
Upfront	53,224	58,339	59,295	62,720	233,578
Installment	9,782	10,317	11,649	10,997	42,745
Total	63,006	68,656	70,944	73,717	276,323
<b>Global Structured Finance</b>					
<b>United States</b>					
Upfront	1,684	1,881	1,811	1,942	7,318
Installment	41,775	43,322	45,650	48,593	179,340
Total	43,459	45,203	47,461	50,535	186,658
<b>Non-United States</b>					
Upfront	1,456	1,342	1,255	1,177	5,230
Installment	12,214	13,038	14,790	15,617	55,659
Total	13,670	14,380	16,045	16,794	60,889
<b>Total Global Structured Finance</b>					
Upfront	3,140	3,223	3,066	3,119	12,548
Installment	53,989	56,360	60,440	64,210	234,999
Total	57,129	59,583	63,506	67,329	247,547
<b>Grand Totals</b>					
Upfront	56,364	61,562	62,361	65,839	246,126
Installment	63,771	66,677	72,089	75,207	277,744
Total	\$ 120,135	\$ 128,239	\$ 134,450	\$ 141,046	\$ 523,870

**Effect of Refundings and Other Accelerations**  
(dollars in thousands, except per share)

2002	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Earned Premiums Recognized from					
Refundings and Other Accelerations	\$ 14,552	\$ 13,187	\$ 25,199	\$ 21,507	\$ 74,445
Net Income Effect <sup>(1)</sup>	8,702	7,886	15,035	12,847	44,470
Net Income Per Common Share Effect <sup>(2)</sup>	\$ 0.06	\$ 0.05	\$ 0.10	\$ 0.09	\$ 0.30

2001	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Earned Premiums Recognized from					
Refundings and Other Accelerations	\$ 10,342	\$ 12,837	\$ 14,174	\$ 17,292	\$ 54,645
Net Income Effect <sup>(1)</sup>	6,185	7,676	8,452	10,329	32,642
Net Income Per Common Share Effect <sup>(2)(3)</sup>	\$ 0.04	\$ 0.05	\$ 0.06	\$ 0.07	\$ 0.22

- (1) Net of deferred acquisition costs and taxes.  
(2) Amounts may not add due to rounding.  
(3) All per share data has been adjusted to reflect the three-for-two stock split effective April 20, 2001.

**Investment Portfolio <sup>(1)</sup>**  
**As of December 31, 2002**  
(dollars in thousands)

<u>Investments</u>	<u>Market Value</u>	<u>% of Market Value</u>	<u>Amortized Cost</u>	<u>Yield <sup>(2)</sup></u>	<u>Annualized Income <sup>(3)</sup></u>
Fixed-Maturity Securities:					
Tax Exempt	\$ 4,732,139	53%	\$ 4,401,539	5.21%	\$ 229,320
Taxable	3,361,511	37	3,154,439	6.64	209,455
Short-Term	<u>687,238</u>	<u>8</u>	<u>687,238</u>	3.36	<u>23,063</u>
Total Fixed Income	8,780,888	98	\$ 8,243,216	5.60%	\$ 461,838
Other <sup>(4)</sup>	<u>212,673</u>	<u>2</u>			
Total	\$ <u>8,993,561</u>	<u>100%</u>			

<u>Maturity</u>	<u>Market Value</u>	<u>% of Market Value</u>
Within 1 Year	\$ 687,238	7.8%
1 to 5 Years	1,133,398	12.9
5 to 10 Years	1,913,048	21.8
10 to 15 Years	1,988,261	22.6
15 to 20 Years	1,112,205	12.7
More than 20 Years	<u>1,946,738</u>	<u>22.2</u>
Total Fixed Income	\$ <u>8,780,888</u>	<u>100.0%</u>

Long-Term average maturity: 11.79 years  
Duration: 6.89 years

<u>Quality Distribution of Long-Term Fixed Income Investments</u>	
<u>Rating</u>	<u>% of Market Value</u>
Aaa	65%
Aa	22
A	12
Baa	<u>1</u>
	<u>100%</u>

- (1) Excludes Investment Agreement Portfolio.  
(2) Estimated yield on assets (based on amortized cost) at end of reporting quarter.  
(3) Before taxes, if applicable, based on indicated yields.  
(4) Primarily equity investments.

## Return on Equity

<u>Quarter Ended</u>	<u>Reported</u> <sup>(1)</sup>	<u>Operating</u> <sup>(2)</sup>
December 31, 2002	11.3%	13.2%
September 30	12.1%	13.5%
June 30	12.8%	13.4%
March 31	13.2%	13.5%
December 31, 2001	12.7%	13.3%
September 30	12.7%	13.2%
June 30	12.9%	13.0%
March 31	12.7%	12.9%
December 31, 2000	13.7%	12.9%
September 30	14.0%	13.1%
June 30	14.2%	13.2%
March 31	12.0%	13.1%

(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 unrealized gains and losses).

## Investment Management Services (dollars in thousands)

	<u>Average Assets Under Management</u> <sup>(1)</sup>	
	<u>Quarter</u>	<u>Year-to-Date</u>
December 31, 2002	\$ 35,030,354	\$ 36,431,531
September 30	35,242,142	36,898,591
June 30	36,602,487	37,726,815
March 31	38,851,143	38,851,143
December 31, 2001	39,143,242	38,292,350
September 30	38,541,467	38,008,720
June 30	38,450,058	37,742,345
March 31	37,034,633	37,034,633
December 31, 2000		34,376,350
December 31, 1999		27,344,154
December 31, 1998		21,771,104
December 31, 1997		17,441,377
December 31, 1996		14,883,904
December 31, 1995		8,780,408
December 31, 1994		6,557,631
December 31, 1993		4,732,985
December 31, 1992		4,186,163
December 31, 1991		3,680,337
January 17, 1991		---

(1) At market value.

**Loss and Loss Adjustment Expense (LAE) Reserves**  
(dollars in thousands)

2002	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Unallocated Reserves	\$ 272,354	\$ 276,522	\$ 276,957	\$ 283,099	\$ 272,354
Formula Provision	14,938	14,950	15,528	16,272	61,688
Case Activity	<u>(10,770)</u>	<u>(14,515)</u>	<u>(9,386)</u>	<u>(14,823)</u>	<u>(49,494)</u>
Ending Unallocated Reserves	<u>276,522</u>	<u>276,957</u>	<u>283,099</u>	<u>284,548</u>	<u>284,548</u>
Beginning Case Reserves	210,945	214,080	213,891	240,740	210,945
Case Activity	10,770	14,515	9,386	14,823	49,494
Net (Payments) Recoveries	<u>(7,635)</u>	<u>(14,704)</u>	<u>17,463</u>	<u>(10,664)</u>	<u>(15,540)</u>
Ending Case Reserves <sup>(1)</sup>	<u>214,080</u>	<u>213,891</u>	<u>240,740</u>	<u>244,899</u>	<u>244,899</u>
Net Loss and LAE Reserves	490,602	490,848	523,839	529,447	529,447
Ceded Loss and LAE Reserves <sup>(1)</sup>	<u>39,041</u>	<u>39,927</u>	<u>44,335</u>	<u>43,828</u>	<u>43,828</u>
Gross Loss and LAE Reserves	<u>\$ 529,643</u>	<u>\$ 530,775</u>	<u>\$ 568,174</u>	<u>\$ 573,275</u>	<u>\$ 573,275</u>

2001	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Unallocated Reserves	\$ 258,706	\$ 263,358	\$ 269,059	\$ 271,977	\$ 258,706
Formula Provision	14,222	16,819	10,325	15,285	56,651
Case Activity	<u>(9,570)</u>	<u>(11,118)</u>	<u>(7,407)</u>	<u>(14,908)</u>	<u>(43,003)</u>
Ending Unallocated Reserves	<u>263,358</u>	<u>269,059</u>	<u>271,977</u>	<u>272,354</u>	<u>272,354</u>
Beginning Case Reserves	209,159	213,646	208,601	219,076	209,159
Case Activity	9,570	11,118	7,407	14,908	43,003
Net (Payments) Recoveries	<u>(5,083)</u>	<u>(16,163)</u>	<u>3,068</u>	<u>(23,039)</u>	<u>(41,217)</u>
Ending Case Reserves <sup>(1)</sup>	<u>213,646</u>	<u>208,601</u>	<u>219,076</u>	<u>210,945</u>	<u>210,945</u>
Net Loss and LAE Reserves	477,004	477,660	491,053	483,299	483,299
Ceded Loss and LAE Reserves <sup>(1)</sup>	<u>32,048</u>	<u>31,065</u>	<u>35,659</u>	<u>35,090</u>	<u>35,090</u>
Gross Loss and LAE Reserves	<u>\$ 509,052</u>	<u>\$ 508,725</u>	<u>\$ 526,712</u>	<u>\$ 518,389</u>	<u>\$ 518,389</u>

(1) Ending Case Reserves plus Ceded Loss and LAE Reserves equals Total Case Reserves.

**Insurance Expense Analysis**  
(dollars in thousands)

2002	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Loss and LAE Incurred	\$ 14,938	\$ 14,950	\$ 15,528	\$ 16,272	\$ 61,688
Gross Insurance Expenses	46,789	52,383	52,112	57,983	209,267
Ceding Commissions Received	<u>(11,652)</u>	<u>(8,539)</u>	<u>(14,784)</u>	<u>(14,699)</u>	<u>(49,674)</u>
Net Insurance Expenses	35,137	43,844	37,328	43,284	159,593
Deferred Expenses (Policy Acquisition Expenses)	<u>14,925</u>	<u>21,764</u>	<u>15,528</u>	<u>19,975</u>	<u>72,192</u>
Operating Expenses	20,212	22,080	21,800	23,309	87,401
Amortization of Deferred Acquisition Costs	<u>11,123</u>	<u>11,022</u>	<u>12,799</u>	<u>12,725</u>	<u>47,669</u>
Total Insurance Expenses	<u>\$ 46,273</u>	<u>\$ 48,052</u>	<u>\$ 50,127</u>	<u>\$ 52,306</u>	<u>\$ 196,758</u>

2001	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Loss and LAE Incurred	\$ 14,222	\$ 16,819	\$ 10,325	\$ 15,285	\$ 56,651
Gross Insurance Expenses	39,849	45,413	46,202	49,256	180,720
Ceding Commissions Received	<u>(11,586)</u>	<u>(8,768)</u>	<u>(19,117)</u>	<u>(14,974)</u>	<u>(54,445)</u>
Net Insurance Expenses	28,263	36,645	27,085	34,282	126,275
Deferred Expenses (Policy Acquisition Expenses)	<u>9,728</u>	<u>16,298</u>	<u>7,356</u>	<u>12,395</u>	<u>45,777</u>
Operating Expenses <sup>(1)</sup>	18,535	20,347	19,729	21,887	80,498
Amortization of Deferred Acquisition Costs	<u>9,611</u>	<u>10,259</u>	<u>11,139</u>	<u>11,424</u>	<u>42,433</u>
Total Insurance Expenses	<u>\$ 42,368</u>	<u>\$ 47,425</u>	<u>\$ 41,193</u>	<u>\$ 48,596</u>	<u>\$ 179,582</u>

(1) Includes goodwill expense of \$1,164 per quarter for 2001.

**XIV. Schedule of Outstanding Stock Options <sup>(1)</sup>**

<u>Year of Expiration</u>	<u>Outstanding</u>	<u>Granted</u>	<u>Exercised</u>	<u>Cancelled</u>	<u>Outstanding</u>	<u>Exercisable as of 12/31/02</u>		
	<u>as of 09/30/02</u>				<u>as of 12/31/02</u>	<u>Number</u>	<u>Average Price</u>	
<b>Executive Officers <sup>(2)</sup></b>								
2002	-	-	-	-	-	-	-	-
2003	-	-	-	-	-	-	-	-
2004	129,396	-	-	-	129,396	129,396	\$ 18.81	
2005	23,076	-	-	-	23,076	23,076	25.71	
2006	214,609	-	-	-	214,609	214,609	38.88	
2007	126,625	-	-	-	126,625	126,625	46.26	
2008	222,270	-	-	-	222,270	177,816	42.67	
2009	2,687,310	-	-	-	2,687,310	227,286	32.54	
2010	90,000	-	-	-	90,000	36,000	31.98	
2011	942,000	-	-	-	942,000	-	-	
2012	<u>937,500</u>	-	-	-	<u>937,500</u>	-	-	
Total	5,372,786	-	-	-	5,372,786	934,808	\$ 35.69	
<b>Others</b>								
2002	-	-	-	-	-	-	-	-
2003	83,520	-	16,400	-	67,120	67,120	\$ 23.00	
2004	502,228	-	-	-	502,228	502,228	20.87	
2005	367,349	-	-	-	367,349	337,349	35.42	
2006	179,550	-	4,320	2,291	172,939	172,939	39.18	
2007	196,266	-	732	2,151	193,383	193,383	44.73	
2008	324,863	-	1,359	1,098	322,406	271,994	42.50	
2009	751,820	-	1,776	5,655	744,389	322,085	33.47	
2010	719,317	-	-	11,105	708,212	228,180	47.56	
2011	207,000	-	-	-	207,000	3,625	54.15	
2012	<u>603,004</u>	<u>282,300</u>	-	<u>9,350</u>	<u>875,954</u>	-	-	
Total	3,934,917	282,300	24,587	31,650	4,160,980	2,098,903	\$ 34.68	
<b>Total</b>								
2002	-	-	-	-	-	-	-	-
2003	83,520	-	16,400	-	67,120	67,120	\$ 23.00	
2004	631,624	-	-	-	631,624	631,624	20.45	
2005	390,425	-	-	-	390,425	360,425	34.80	
2006	394,159	-	4,320	2,291	387,548	387,548	39.01	
2007	322,891	-	732	2,151	320,008	320,008	45.34	
2008	547,133	-	1,359	1,098	544,676	449,810	42.57	
2009	3,439,130	-	1,776	5,655	3,431,699	549,371	33.09	
2010	809,317	-	-	11,105	798,212	264,180	45.43	
2011	1,149,000	-	-	-	1,149,000	3,625	54.15	
2012	<u>1,540,504</u>	<u>282,300</u>	-	<u>9,350</u>	<u>1,813,454</u>	-	-	
Total	9,307,703	282,300	24,587	31,650	9,533,766	3,033,711	\$ 34.99	

(1) All stock options have been adjusted to reflect the three-for-two stock split effective April 20, 2001.

(2) Certain Executive Officers have adopted trading plans pursuant to Securities and Exchange Commission Rule 10b5-1 under which they plan to exercise options, which expire during 2004, and to sell the underlying stock on a periodic basis over the next 12 to 18 months. These plans may be changed from time to time.



**Insured Portfolio Profile by Bond Type**

**Par Value**  
**(dollars in millions)**

Bond Type	Insured in 2002				Outstanding as of December 31, 2002 <sup>(1)</sup>	
	Gross Amount	%	Net Amount	%	Net Amount	%
<b>Global Public Finance</b>						
<u>United States</u>						
General Obligation	\$ 25,979	18.6%	\$ 23,533	20.9%	\$ 112,603	22.6%
Utilities	9,267	6.6	8,101	7.2	51,861	10.4
Special Revenue	8,516	6.1	7,307	6.5	40,000	8.1
Health Care	1,845	1.3	1,655	1.5	35,266	7.1
Transportation	4,532	3.2	3,930	3.5	26,286	5.3
Higher Education	2,320	1.7	2,026	1.8	18,029	3.6
Investor-Owned Utilities <sup>(2)</sup>	163	0.1	172	0.1	15,104	3.0
Housing	2,463	1.8	2,318	2.0	14,709	3.0
Total United States	<u>55,085</u>	<u>39.4</u>	<u>49,042</u>	<u>43.5</u>	<u>313,858</u>	<u>63.1</u>
<u>Non-United States</u>						
Investor-Owned Utilities <sup>(2)</sup>	1,792	1.3	709	0.6	3,078	0.6
Transportation	2,496	1.8	1,204	1.1	2,670	0.5
Sovereign	627	0.5	566	0.5	2,229	0.5
Utilities	14	-	14	0.0	1,534	0.3
Health Care	742	0.5	685	0.6	1,080	0.2
Sub-Sovereign	-	-	102	0.1	973	0.2
Housing	-	-	-	-	239	0.1
Higher Education	-	-	-	-	46	-
Total Non-United States	<u>5,671</u>	<u>4.1</u>	<u>3,280</u>	<u>2.9</u>	<u>11,849</u>	<u>2.4</u>
Total Global Public Finance	<u>60,756</u>	<u>43.5</u>	<u>52,322</u>	<u>46.4</u>	<u>325,707</u>	<u>65.5</u>
<b>Global Structured Finance</b>						
<u>United States</u>						
Asset Backed						
Auto	11,476	8.2	7,279	6.5	15,111	3.0
Credit Cards	3,103	2.2	1,787	1.6	12,538	2.5
Other <sup>(3)</sup>	1,369	1.0	1,132	1.0	5,880	1.2
Leasing	463	0.4	448	0.4	3,952	0.8
CDO, CLO & CBO	22,356	16.0	18,476	16.4	34,038	6.9
Mortgage Backed						
Home Equity	7,564	5.4	5,367	4.8	18,863	3.8
Other	1,672	1.2	1,429	1.3	8,947	1.8
First Mortgage	1,087	0.8	1,049	0.9	4,522	0.9
Pooled Corp. Obligations & Other <sup>(4)</sup>	5,910	4.2	4,109	3.6	12,765	2.6
Financial Risk	1,259	0.9	1,256	1.1	4,065	0.8
Total United States	<u>56,259</u>	<u>40.3</u>	<u>42,332</u>	<u>37.6</u>	<u>120,681</u>	<u>24.3</u>
<u>Non-United States</u>						
CDO, CLO & CBO	14,717	10.5	11,361	10.1	31,933	6.4
Pooled Corp. Obligations & Other <sup>(4)</sup>	322	0.2	(95)	(0.1)	7,848	1.6
Mortgage Backed						
First Mortgage	3,389	2.4	2,936	2.6	5,597	1.1
Other	1,923	1.4	1,461	1.3	2,061	0.4
Asset Backed						
Other <sup>(3)</sup>	2,049	1.5	1,995	1.8	2,018	0.4
Auto	312	0.2	289	0.3	306	0.1
Financial Risk	2	-	35	-	1,192	0.2
Total Non-United States	<u>22,714</u>	<u>16.2</u>	<u>17,982</u>	<u>16.0</u>	<u>50,955</u>	<u>10.2</u>
Total Global Structured Finance	<u>78,973</u>	<u>56.5</u>	<u>60,314</u>	<u>53.6</u>	<u>171,636</u>	<u>34.5</u>
Total	<u>\$ 139,729</u>	<u>100.0%</u>	<u>\$ 112,636</u>	<u>100.0%</u>	<u>\$ 497,343</u>	<u>100.0%</u>

## Insured Portfolio Profile by Geographic Distribution

Par Value  
(dollars in millions)

Outstanding as of  
December 31, 2002 <sup>(1)</sup>

	Insured in 2002				Outstanding as of December 31, 2002 <sup>(1)</sup>	
	Gross Amount	%	Net Amount	%	Net Amount	%
<b>Geographic Distribution</b>						
<b>United States</b>						
California	\$ 10,608	7.6%	\$ 9,468	8.4%	\$ 52,169	10.5%
New York	6,287	4.5	5,654	5.0	41,324	8.3
Florida	2,670	1.9	2,423	2.1	20,561	4.1
Texas	3,420	2.5	2,888	2.6	16,544	3.4
New Jersey	3,071	2.2	2,681	2.4	16,121	3.3
Illinois	4,508	3.2	4,139	3.7	16,031	3.2
Massachusetts	2,364	1.7	1,899	1.7	13,588	2.7
Pennsylvania	1,304	0.9	1,200	1.1	12,967	2.6
Michigan	915	0.7	851	0.7	9,117	1.8
Washington	2,116	1.5	1,905	1.7	8,487	1.7
Subtotal	37,263	26.7	33,108	29.4	206,909	41.6
Other States & Territories	17,116	12.2	15,456	13.7	113,851	22.9
Nationally Diversified	56,965	40.8	42,810	38.0	113,779	22.9
Total United States	111,344	79.7	91,374	81.1	434,539	87.4
<b>Non-United States</b>						
United Kingdom	5,072	3.6	2,948	2.6	6,839	1.4
Germany	1,196	0.9	908	0.8	5,355	1.1
Australia	1,618	1.2	1,041	0.9	3,230	0.6
Canada	175	0.1	165	0.2	1,668	0.3
Japan	1,028	0.7	1,157	1.0	1,277	0.3
Austria	-	-	-	-	1,140	0.2
Mexico	458	0.3	382	0.3	1,092	0.2
France	-	-	-	-	1,078	0.2
Netherlands	839	0.6	776	0.7	946	0.2
Spain	-	-	83	0.1	928	0.2
Subtotal	10,386	7.4	7,460	6.6	23,553	4.7
Other <sup>(5)</sup>	1,788	1.3	1,344	1.2	4,073	0.8
Internationally Diversified	16,211	11.6	12,458	11.1	35,178	7.1
Total Non-United States	28,385	20.3	21,262	18.9	62,804	12.6
Total	\$ 139,729	100.0%	\$ 112,636	100.0%	\$ 497,343	100.0%

(1) Net of refunded issues.

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

(3) Includes Franchise, Consumer & Trade Receivables.

(4) Includes Direct Corporates, Corporate Pools and Conduit Exposure.

(5) Includes some domestic risk denominated in other than U.S. dollars.

**Insured Portfolio - 50 Largest Public Finance Credits**

**Net Par Outstanding as of December 31, 2002**

(dollars in millions)

	<b>Obligor Name</b>	<b>Country</b>	<b>Net Par Outstanding</b>
1	New York City General Obligation	USA	\$ 3,299
2	New York State Lease	USA	2,710
3	Puerto Rico General Obligation	USA	2,617
4	Massachusetts General Obligation	USA	2,444
5	Illinois General Obligation	USA	2,370
6	California General Obligation	USA	2,251
7	California Housing Finance Agency Single Family Mortgage	USA	2,207
8	Long Island Power Authority Electric	USA	1,900
9	New York City Municipal Water Finance Authority W&S System	USA	1,771
10	New York State Mental Health Services Lease	USA	1,636
11	Puerto Rico Electric Power Authority	USA	1,495
12	Alaska Housing Finance Corp. Single Family Mortgage	USA	1,422
13	District of Columbia General Obligation	USA	1,403
14	San Francisco International Airport	USA	1,373
15	Virginia Housing Development Authority	USA	1,324
16	Energy Northwest Public Power	USA	1,295
17	New Jersey Economic Development Authority State Pension Oblig. Lease	USA	1,285
18	New Jersey Transportation Trust Fund Authority	USA	1,272
19	New Jersey Turnpike Authority	USA	1,267
20	Illinois Metropolitan Pier & Exposition Authority	USA	1,229
21	Georgia Municipal Electric Authority	USA	1,170
22	California State Public Works Board Lease	USA	1,127
23	State of Washington General Obligation	USA	1,067
24	Triboro Bridge & Tunnel Authority	USA	1,061
25	New York & New Jersey Port Authority Airport	USA	1,020
26	Chicago City General Obligation	USA	1,015
27	New Jersey Housing & Mortgage Finance Agency Home Buyer	USA	1,014
28	California Department of Water Resources Power Supply Revenue	USA	995
29	South Carolina Public Service Authority Santee Cooper	USA	989
30	Los Angeles City Department Water & Power Electric	USA	971
31	Denver City & County Airport System	USA	969
32	Chicago O'hare General Airport	USA	952
33	New York State Dormitory Authority School Districts General Obligation	USA	907
34	Florida Department Natural Resources Preservation 2000 Sales Tax	USA	904
35	Massachusetts Water Resources Authority Water & Sewer	USA	894
36	New York State Thruway Authority Dedicated Highway & Bridge Trust	USA	877
37	Detroit Metro. Wayne Airport	USA	876
38	Los Angeles Unified School District General Obligation	USA	849
39	Intermountain Power Agency Public Power	USA	849
40	New York State Education Facility Lease	USA	848
41	Dwr Cymru (Financing) Limited (Welsh Water)	GBR	832
42	New Jersey Economic Development Authority Market Transition Lease	USA	773
43	Clark County School District General Obligation	USA	758
44	San Bernardino County Certificates Of Participation Lease	USA	748
45	New York State Local Government Assistance Corporation	USA	747
46	Florida Windstorm Underwriting Association Statewide Tax	USA	742
47	North Carolina Municipal Power Authority #1 Catawba Public Power	USA	739
48	JFK International Air Terminal Airport	USA	730
49	Arapahoe County E-470 Toll Road	USA	728
50	Metropolitan Washington Airports Authority	USA	725
		<b>Total</b>	\$ <u>63,446</u>
		<b>Total Portfolio Exposure</b>	\$ <u>497,343</u>
		<b>% of Total Portfolio</b>	<u>12.8%</u>

**Insured Portfolio - 50 Largest Structured Finance Credits**

**Net Par Outstanding as of December 31, 2002**

(dollars in millions)

	<b>Obligor Name</b>	<b>Country</b>	<b>Net Par Outstanding</b>
1	Metris Master Trust	USA	\$ 2,334
2	Providian Gateway Master Trust - Bank Cards	USA	2,291
3	European Super Senior Synthetic CDO	GLB	2,147
4	Global Structured Finance Vehicle	GLB	2,000
5	Global Investment Grade Synthetic CDO	GLB	1,809
6	European Synthetic CDO	GLB	1,786
7	ING Investment, LLC	USA	1,716
8	USA Super Senior Synthetic CDO	USA	1,578
9	UK Synthetic Residential Mortgage Backed Securities	GLB	1,452
10	European Super Senior Synthetic CDO	DEU	1,413
11	AESOP Funding II LLC	USA	1,413
12	Global Super Senior Synthetic CDO	GLB	1,405
13	ARG Funding Corporation	USA	1,342
14	Provident Bank Home Equity Loan Trust	USA	1,341
15	Global Super Senior Synthetic CDO	GLB	1,336
16	European Synthetic CDO	DEU	1,323
17	Global Managed Corporate CDO	GLB	1,184
18	Citibank - Amadeus CDO	GLB	1,128
19	USA Commercial Real Estate Portfolio	USA	1,095
20	European Super Senior Synthetic CDO	GLB	1,092
21	Global Investment Grade Synthetic CDO	GLB	1,089
22	Household Automotive Trust 2002-3	USA	1,020
23	Pruco Life Separate Account GICs	USA	1,019
24	Global Super Senior Synthetic CDO	GLB	944
25	USA Super Senior Synthetic CDO	USA	935
26	AmeriCredit Automobile Receivables Trust 2002-E-M	USA	928
27	Countrywide Credit Industries, Inc.	USA	924
28	Corporate Receivables Corporation	USA	912
29	USA Funded CDO	USA	886
30	USA Super Senior Synthetic CDO	USA	886
31	Global Funded CDO	GLB	873
32	German Residential Mortgages	DEU	870
33	Global Super Senior Synthetic CDO	GLB	868
34	Multijurisdiction Commercial Real Estate	GLB	863
35	Global Super Senior Synthetic CDO	GLB	856
36	Dutch Synthetic Residential Mortgage Backed Securities	NLD	854
37	USA Investment Grade Synthetic CDO	USA	842
38	Spiegel Credit Card Master Note Trust	USA	840
39	USA Super Senior Synthetic CDO	USA	840
40	USA Super Senior Synthetic CDO	USA	838
41	USA Super Senior Synthetic CDO	USA	836
42	Global Super Senior Synthetic CDO	GLB	833
43	USA Super Senior Synthetic CDO	USA	831
44	Global Super Senior Synthetic CDO	GLB	813
45	USA Super Senior Synthetic CDO	USA	792
46	USA Super Senior Synthetic CDO	USA	780
47	USA Super Senior Synthetic CDO	USA	772
48	Countrywide Home Loans, Inc.	USA	743
49	John Hancock Life Insurance Trust 2000 CDO	USA	740
50	Global Super Senior Synthetic	GLB	728
		<b>Total</b>	<b>\$ 57,140</b>
		<b>Total Portfolio Exposure</b>	<b>\$ 497,343</b>
		<b>% of Total Portfolio</b>	<b>11.5%</b>

**Top 25 Structured Finance Servicer Exposures**

as of September 30, 2002

(dollars in millions)

Servicer Name <sup>(1)</sup>	Net Par Outstanding
1 Countrywide Home Loans, Inc	\$ 3,287
2 Provident Bank	3,217
3 General Motors Acceptance Corp.	2,970
4 Capital One Financial Corp.	2,891
5 Providian Financial Corp.	2,779
6 Direct Merchants Credit Card Bank, N.A.	2,474
7 Cendant / Avis Rent A Car System, Inc.	2,319
8 Wachovia Corporation/TMS	2,148
9 Fairbanks Capital Corporation	2,132
10 GreenPoint Financial Corp.	1,997
11 Bear Stearns/EMC Mortgage Corp.	1,878
12 Onyx Acceptance Corporation	1,843
13 Deutsche Bank A.G.	1,713
14 Ocwen Financial Corp.	1,674
15 Union Acceptance Corporation	1,664
16 AmeriCredit Corp.	1,533
17 Northern Rock PLC	1,414
18 Citigroup, Inc.	1,399
19 ANC Rental Corporation	1,342
20 Household Finance Corp.	1,282
21 Lehman Brothers/Aurora Loan Services Inc.	1,221
22 Zions First National Bank	1,171
23 CarMax Auto Superstores, Inc.	1,093
24 ING Barings LLC	1,076
25 Hypo- und Vereinsbank	986
<b>Total</b>	<b>\$ 47,502</b>
<b>Total Servicer Exposure at 9/30/02</b>	<b>\$ 108,031</b>
<b>Top 25 as % Total</b>	<b>44.0%</b>

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

**Summary of Below-Investment Grade Credits <sup>(1)</sup>**

December 31, 2002

(dollars in millions)

Obligor Name	Net Par Outstanding
1 Metris Master Trust	\$ 2,334
2 Providian Gateway Master Trust	2,291
3 JFK Airport International Air Terminal	730
4 Pacific Gas and Electric Company	528
5 Southern California Edison Company	411
6 Western Resources Inc	361
7 Student Finance Corp/Royal Indemnity	354
8 Illinois Power Co	313
9 North Shore Health System	259
10 Multi-Sector CDO	252
<b>Total</b>	<b>\$ 7,832</b>
 Total Non-Investment Grade Exposure	 \$ 14,165
Total MBIA Net Par Outstanding	\$ 497,343
 <b>Top 10 as % of MBIA Net Par Outstanding</b>	 <b>1.6%</b>
<b>Total BIG as % of MBIA Net Par Outstanding</b>	<b>2.8%</b>

(1) All ratings current: Ratings derived using S&P Priority Method. If not rated by S&P, Moody's equivalent used. If not rated by either, MBIA equivalent used.

**United States Municipal Bond Insurance Market Data <sup>(1)</sup>**  
(dollars in millions)

	Issued	Insured	Percent Insured	MBIA Market Share	
				Amount	Percent
<b><u>New Issue Market - Par Value</u> <sup>(2)</sup></b>					
4th Qtr. 2002	\$ 94,886	\$ 53,389	56.3%	\$ 15,557	29.1%
3rd	77,970	40,840	52.4	12,179	29.8
2nd	90,009	50,383	56.0	12,007	23.8
1st	63,760	36,098	56.6	8,784	24.3
4th Qtr. 2001	80,843	41,944	51.9	14,240	34.0
3rd	52,893	26,793	50.7	6,994	26.1
2nd	68,735	39,086	56.9	10,119	25.9
1st	52,997	25,799	48.7	4,677	18.1
2002	\$ 326,625	\$ 180,710	55.3%	\$ 48,527	26.9%
2001	255,468	133,622	52.3	36,030	27.0
2000	172,054	79,284	46.1	22,297	28.1
1999	199,279	104,204	52.3	26,999	25.9
1998	257,111	142,033	55.2	51,438	36.2
1997	194,102	104,389	53.8	44,287	42.4
1996	161,989	84,751	52.3	34,084	40.2
1995	142,124	66,216	46.6	27,943	42.2
1994	154,699	62,106	40.1	25,064	40.4
1993	280,157	108,446	38.7	38,982	35.9
1992	226,035	79,575	35.2	26,448	33.2

(1) In this section, data for the industry and MBIA is provided on a sale date basis and will not reconcile with MBIA data in subsequent sections which is provided on a closing date basis.

(2) New issue municipal obligations excluding notes, remarketings, private placements and non-municipal obligations. Based on MBIA data, subject to revisions as new information becomes available. May not agree with figures published in The Bond Buyer.

**MBIA's CDO Exposure**  
**As of December 31, 2002**  
(dollars in billions)

Collateralized Debt Obligations (CDOs) are structured securities, which are backed by a diversified pool of debt instruments. The underlying assets may comprise a variety of collateral types including both high-yield and investment grade corporate bond obligations (CBOs), corporate loan obligations (CLOs), emerging market debt, and asset backed securities (ABS CDOs). Typically, the lowest risk tranches are the most senior securities and typically are rated Triple-A by the major rating agencies (prior to MBIA insuring them), due to the protection the mezzanine and equity tranches provide as a first and second loss position in front of the senior tranche that MBIA insures.

While other types of asset securitizations typically include an asset servicer, in a CDO transaction this function is performed by an asset manager. In keeping with MBIA's no loss underwriting standard, the Company performs a rigorous analysis of the underlying assets, structure of the CDO, and a separate evaluation of the asset manager. The portfolio is underwritten and monitored both at the transaction level and on an aggregated basis to ensure that there is no excessive build-up of individual name exposures.

**CDO Portfolio Exposure Data**

<b>Total CDO Portfolio</b>			
Gross Par Outstanding	\$80.7		
Net Par Outstanding	\$66.0		
Number of Transactions	330		
<b>Funded CDO Portfolio</b>		<b>Synthetic CDO Portfolio</b>	
Net Par Outstanding	\$21.2	Net Par Outstanding	\$44.8
Number of Transactions	257	Number of Transactions	73

**Underlying Ratings**<sup>(1) (2)</sup>

<b><u>Net Par Written: January 2002 – December 2002</u></b>				<b><u>Total CDO Portfolio</u></b>			
					<i>Net Par</i>	<i>% of Total</i>	
AAA	\$	28.4	99%	AAA	\$ 54.5	82%	
AA		0.3	1%	AA	2.6	4%	
A		0.0	0%	A	4.0	6%	
BBB		0.0	0%	BBB	3.2	5%	
NIG <sup>(3)</sup>		0.0	0%	NIG <sup>(3)</sup>	1.8	3%	
	\$	28.7	100%		\$ 66.0	100%	
Over 76% Rated "Super" AAA				AA or Better	86%		
99% Rated AAA or better				A or Better	92%		

**MBIA's CDO Exposure (cont'd)**  
**As of December 31, 2002**  
**(dollars in billions)**

**Market Type**<sup>(1) (2)</sup>

“Primary Market” means that MBIA insured the transaction from inception at the request of the issuer.

“Secondary Market” means that MBIA insured at least some part of the transaction after it was originally issued, usually at the request of the bondholder rather than the issuer.

**Insured in Primary Market**

Net Par Outstanding	\$56.7
Number of Transactions	128

**Insured in Secondary Market**

Net Par Outstanding	\$9.3
Number of Transactions	202

**Funded Transactions**

- Primary Market Execution accounts for 59% of Net Par
- 73% is rated AA or Better
- 97% of Secondary Execution is rated AA or Better

**Synthetic Transactions**

- 99% Primary Market Execution
- 93% is rated AAA
- 88% of AAA is rated “Super AAA”, 82% of total Synthetic CDO portfolio rated “Super AAA”

**Emerging Market Transactions**

- All Transactions are Primary Funded Execution
- \$2.1 billion Net Par (17 transactions)
- 83% is rated BBB or Better

**Underlying Asset Types**<sup>(1)</sup>

**Collateral Type**

	<b>Total</b>		<b>Funded</b>		<b>Synthetic</b>	
	<u>Net par</u>	<u>% of Total</u>	<u>Net par</u>	<u>% of Total</u>	<u>Net par</u>	<u>% of Total</u>
Investment Grade	\$ 46.4	70%	\$ 2.9	14%	\$ 43.5	97%
High Yield	13.0	20%	12.4	59%	0.5	1%
Multi-Sector	4.5	7%	3.7	17%	0.8	2%
Emerging Market	2.1	3%	2.1	10%	0.0	0%
<b>Total</b>	<b>\$ 66.0</b>	<b>100%</b>	<b>\$ 21.1</b>	<b>100%</b>	<b>\$ 44.8</b>	<b>100%</b>

**Synthetic CDO Portfolio**

Managed Pools	55%
Static Pools	45%



**MBIA's CDO Exposure (cont'd)**  
**As of December 31, 2002**  
 (dollars in billions)

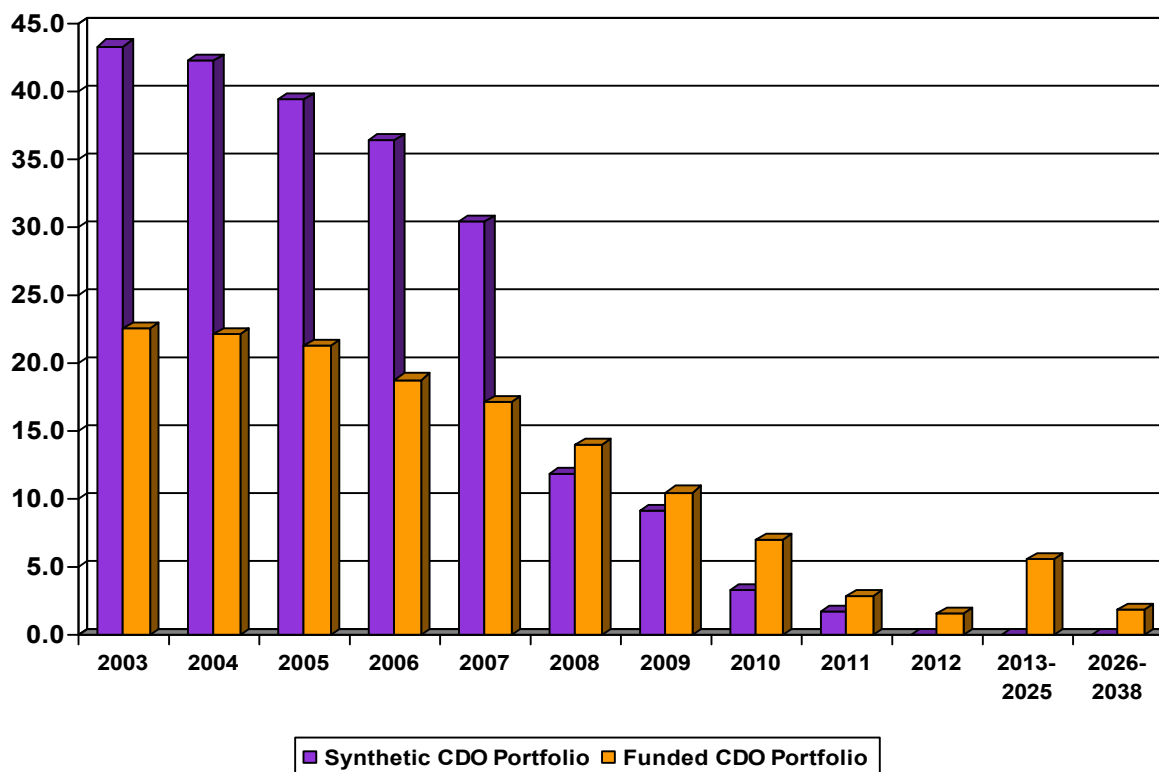
**Net Par by Vintage <sup>(1)</sup>**

Year	Written		Outstanding		Average Quality Range At Origination
	Amount	%	Amount	%	
1996	\$ 0.9	1%	\$ 0.7	1%	Baa1-Baa2
1997	1.3	2%	1.1	2%	Baa2-Baa3
1998	6.8	10%	3.6	5%	A3
1999	2.7	4%	2.2	3%	Aa2
2000	16.4	23%	15.8	24%	Aa1
2001	13.6	19%	13.3	20%	Aaa-Aa1
2002	28.7	41%	29.3	44%	Aaa-Aa1
	<u>\$ 70.3</u>	<u>100%</u>	<u>\$ 66.0</u>	<u>100%</u>	

**Portfolio Runoff**

(\$ billions)

Outstanding Net Par



(1) Numbers may not add due to rounding  
 (2) All ratings current: Ratings derived using S&P Priority Method. If not rated by S&P, Moody's equivalent used. If not rated by either, MBIA equivalent used.  
 (3) Non-Investment Grade

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Common Stock

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