

# MBIA 2000 Annual Report

Patricia Abt Corina Accordino Lisa Alfieri James Allen Michael Alter Arlene Altomare Nicole Amador Eric Anderson Peter Andreou Gina Antonelli Michael Antonicelli Ana Areal John Ariola Craig Armstrong Errol Arne Christina Arneson Kristy Aston

Daniel Avitabile Christopher Bade Laura Badillo Judith Baiocco Michael Ballinger Frances Banuelos Ricardo Banuelos Anna Barbara Mary Barbara Barbara Barclay Lorraine Barg Steve Barney Rebecca Barola Timothy Bartel Barry Baughier Robert Beckett Marguerite Beirne Karl Bejasa Ahmed Belal Thomas Bell Richard Bell Dinah Bellis Regina Bello Anna Bencrowsky Arlene Bent-Mutz James Berger Adam Bergonzi Beth Berman Nancy Bermudez Paul Bernier Gerry Berrigan Michael Biemer Kelli Bier Dennis Bird Cheri Bivings Amanda Blade Carol Blair Robert Blair Robert Blake Liz Blasius Jill Blazeovich Wendy Bloomer Neal Blum Kim Boeheim David Boisselle Lynne Bonner Edward Bonner Amy Borst Ilda Bourasso Terry Bowers Richard Bowers David Brancale Marty Braunstein Yaquelin Brea Helen Brennan Melissa Brice-Johnson Nelly Briggs Grant Brimhall Wendy Broadbent Sue Broersma Pat Brosnan Carol Broughton Kevin Brown Jay Brown Thacher Brown Lise Bruun Karen Brylle Neil Budnick Mark Bunyea Joseph Buonadonna Catherine Burke Paul Burns Kathelene Burns Derrick Burr Audrey Calogero Michael Cambridge Jason Cameron Patricia Campbell Lori Candarelli Valerie Candrea Nicholas Canuso Jack Caouette Bill Carson Adam Carta William Carta Sal Carvo Fred Casadei Judith Casey Kerri Casey Christopher Cassel Thomas Cassidy Robert Castillo Michael Castracan Michael Cavino Judith Cavino Jason Celente Kevin Cerutti Chris Chafizadeh Stephen Chaloux Charles Chambers Polly Chan David Chappell Charlotte Cheong Toni Cheris Sammy Cheung Manuel Chevalier Lina Chew Sze Chew Andrew Chintz Stephani Chojnacki Siew Chong Pit Chong David Christiansen Rebecca Christoforou Len Chubinsky Lori Church Kelly-Ann Cima Joanne Ciralli Steven Citron Robert Claiborne John Clancy Janean Clare Joyce Clark Robyn Clarke Geoffrey Clarkson Thomas Cochran William Cody William Coleman Rosemaria Collorafi John Condo Edwin Connolly Steven Cooke Brian Cooney Christie Corbett Maryann Corse Clifford Corso Kenneth Couch Thomas Cousins David Craparo Celinda Creighton James Cronin Pauline Cullen Derrin Culp Celia Culpan Terry Cundiff Melissa Currie Salvatore D'Addio Ron Dadina Jennifer Dalton Ferdinando D'Ambrosio Kathryn D'Angio Jeffrey Daniels John Dare Stephen Dartley Leslie Davis Gary Davis Joshua Davis Suzanne Davis Karen Decter Ken Degen Sandy DeKoubia Lynne DeLaurentis Laura DeLena Maria DeMilia Michael DeNigris Debra Descloux Lauren Desharnais William DeVane Anthony Devecchis Robert DeVecchis Edward DeVito Jamie Di Orio Debra Diachenko Gregory Diamond Richard DiArenzo Claudine Diaz James DiChiaro Kimberly Dilly Lauren Dimartino Anthony Dimino Kristyn Dinella Frederic Dittmann Stephen Dixon Christie Dixon Kerry Dolan Everlena Dolman John Donaldson Mary Donovan Janine Doran David Dority Gloria D'Ottavio Stephanie Dougherty Edward Dougherty Michael Dowling Joseph Doyle Randy Dryden David Dubin Geoffrey Dudick Maureen Duffy Mohinder Dugal Matthew Dugan Rita Duggan Gary Dunton Nancy Durr Steve Eaddy Utessa Earl Pamela Eccles Scott Eckman Teri Eckman Audra Edele Barbara Edelmann Joanne Edwards Joanne Eichenhofer Gay Eichhoff Bruce Ely Ira Epstein Richard Erickson Jeff Esraelian Lori Evangel Matthew Fanelli Felicia Fanelli Marisa Farrell Kim Fasulo Robert Faulkner Carl Favelukes Sharon Fera Gregg Ferguson Robert Fernald Pamela Fernandes Nicholas Ferreri Denise Feulner Peter Fiala Diana Fine Sara Fischer Anna Fischetti Minnie Fitchben Donna Flack Rosanne Fleury Barbara Flickinger Mary Flynn Jesse Fogarty David Frascella Daniel Frisch Ileana Fuentes Theodore Galgano Jr. Maureen Gallagher Brendan Gallagher Michele Galligan Angelique Gallwitz Richard Garay Lisa Garcia Leigh Garcia Peggy Garfunkel John Garrity Samuel Gass Andrea Gavaller Catherine Geddes Ethel Geisinger George Gephart Stephen Gibson Genevieve Gifford MaryEllen Gilroy Patricia Ginas Richard Giuffra Patricia Goldrick Sanford Goldstein Amy Gonch Melysa Gonzalez Esther Gonzalez Andrew Goodale Jennifer Gopoiann Jennette Gosselin Robert Greene Richard Greenwood Jr. Arlene Greenwald Nancy Harris Hancoc Takayasu Hara Roger Harris Nancy Harris Daniel Hernandez Robert Herz Jacqueline Heslin Roslyn Hume Travis Humphries Timothy Hunt Michael Jennings Douglas Jensen Corey Johnson Janet Kaur Una Kearns Mark Keller Monica Keller Ros Douglas Kitchen Jane Klemmer Jeffrey Knight Richard Todd LaChance Matthew Lagana Gina Landi Richard Bruce Legan Andrew Leggio James Lennon Lou Lomax Siobhan Lombard Denise Lorine Guy Love Efrain Maldonado Francesco Mancia Joanne Man Cheryl May Lisa McCall Sheila McCann Shaun Mc Terri McNealy Sadie McSwain William McWilliams Minerva Jairo Molina Leslie Molina Sadhana Murray Gerard Murray Cathleen Murray Fred Michael Norris Oliver North Michael O'Brien Fran Pagliei Ashwin Palekar Randy Palomba Kimbra Pellegrini Dave Penchoff Arthur Perlowitz Eileen Armand Principato James Pugh Wendy Quartucco Kevin Regan Jeremy Reifsnnyder Pamela Reifsnnyder Stephanie Rivera Pat Rizzo Brian Roark Sheryl Edward Ruddock Christina Rundbaken Stacey Colleen Scaglione Stephen Scanlan Joseph Sch Steven Sherman Roger Shields Linda Shikitino Singh Joanne Sinopoli Susanne Slavin Marina Lori Soper Victor Soto Nicholas Sourbis Lisa Sugimoto Beth Sullivan Philip Sullivan Heather Sullivan Donna-Sue Swanson David Sweet Carolyn Tain Maria Tallent Yong Tan Mingsung Tang Mike Tarquinio Stephen Tartaglia Patricia Taxter Stephanie Taylor Joanne Taylor Laura Terenzi-Khaleel James Terry Eva Thein Tom Thomas Susan Thomas Debra Thompson Laura Thorne-Trawinski James Tilkes Christopher Tilley Paula Tomasini Donald Tomlin Rosanna Traina Daniel Trainor Matthew Trapp Carol Trottier Donna Turner Anton Unger Hans van den Berg Thomas Vandermark Matthew VanderVen Lisa Varalli Janis Varney Frank Venuti Maria Vero-Magnan Joan Vita Kirk Viviano Jacqueline Vlymen Susan Voltz Karen Wagner Todd Wall Maggie Walsh Richard Walt Jing Wang Mary Warde Randolph Warman Pat Warnke Toni Watson Othneil Waud Carl Webb Debra Weeks Christopher Weeks Irene Weidelman Dick Weill Nancy Weiss Ram Wertheim Rebecca Werther Linda Wessel Ellen West Stephanie Weston Ruth Whaley Bob Wheeler Ashling Whelan David White Denise White Lori White James Whitford Jr. Thomas Wilkerson Charles Williams Eric Williamson Lisa Wilson David Wilson Henry Wilson Terri Wilson Carter Winkle Dave Withohn Edmund Woods Raymond Wosinski Melissa Wright Greg Wright Jamie Xiong Diana York Lynn Zavadil Suzanne Zelov Weidong Zhou Gail Zierk Joshua Zigmont Richard Zogheb Kimberly Zottola Gail Zubradt Mark Zucker Deborah Zurkow Patricia Abt Connie Accordino Lisa Alfieri James Allen Michael Alter Arlene Altomare Nicole Amador Eric Anderson Peter Andreou Gina Antonelli Michael Antonicelli Ana Areal John Ariola Craig Armstrong Errol Arne Christina Arneson Kristy Aston Daniel Avitabile Christopher Bade Laura Badillo Judith Baiocco Michael Ballinger Frances Banuelos Ricardo Banuelos Anna Barbara Mary Barbara Barbara Barclay Lorraine Barg Steve Barney Rebecca Barola Timothy Bartel Barry Baughier Robert Beckett Marguerite Beirne Karl Bejasa Ahmed Belal Thomas Bell Richard Bell Dinah Bellis Regina Bello Anna Bencrowsky Arlene Bent-Mutz James Berger Adam Bergonzi Beth Berman Nancy Bermudez Paul Bernier Gerry Berrigan Michael Biemer Kelli Bier Dennis Bird Cheri Bivings Amanda Blade Carol Blair Robert Blair Robert Blake Liz Blasius Jill Blazeovich Wendy Bloomer Neal Blum Kim Boeheim David Boisselle Lynne Bonner Edward Bonner Amy Borst Ilda Bourasso Terry Bowers Richard Bowers David Brancale Marty Braunstein Yaquelin Brea Helen Brennan Melissa Brice-Johnson Nelly Briggs Grant Brimhall Wendy Broadbent Sue Broersma Pat Brosnan Carol Broughton Kevin Brown Jay Brown Thacher Brown Lise Bruun Karen Brylle Neil Budnick Mark Bunyea Joseph Buonadonna Catherine Burke Paul Burns Kathelene Burns Derrick Burr Audrey Calogero Michael Cambridge Jason Cameron Patricia Campbell Lori Candarelli Valerie Candrea Nicholas Canuso Jack Caouette Bill Carson Adam Carta William Carta Sal Carvo Fred Casadei Judith Casey Kerri Casey Christopher Cassel Thomas Cassidy Robert Castillo Michael Castracan Michael Cavino Judith Cavino Jason Celente Kevin Cerutti Chris Chafizadeh Stephen Chaloux Charles Chambers Polly Chan David Chappell Charlotte Cheong Toni Cheris Sammy Cheung Manuel Chevalier Lina Chew Sze Chew Andrew Chintz Stephani Chojnacki Siew Chong Pit Chong David Christiansen Rebecca Christoforou Len Chubinsky Lori Church Kelly-Ann Cima Joanne Ciralli Steven Citron Robert Claiborne John Clancy Janean Clare Joyce Clark Robyn Clarke Geoffrey Clarkson Thomas Cochran William Cody William Coleman Rosemaria Collorafi John Condo Edwin Connolly Steven Cooke Brian Cooney Christie Corbett Maryann Corse Clifford Corso Kenneth Couch Thomas Cousins David Craparo Celinda Creighton James Cronin Pauline Cullen Derrin Culp Celia Culpan Terry Cundiff Melissa Currie Salvatore D'Addio Ron Dadina Jennifer Dalton Ferdinando D'Ambrosio Kathryn D'Angio Jeffrey Daniels John Dare Stephen Dartley Leslie Davis Gary Davis Joshua Davis Suzanne Davis Karen Decter Ken Degen Sandy DeKoubia Lynne DeLaurentis Laura DeLena Maria DeMilia Michael DeNigris Debra Descloux Lauren Desharnais William DeVane Anthony Devecchis Robert DeVecchis Edward DeVito Jamie Di Orio Debra Diachenko Gregory Diamond Richard DiArenzo Claudine Diaz James DiChiaro Kimberly Dilly Lauren Dimartino Anthony Dimino Kristyn Dinella Frederic Dittmann Stephen Dixon Christie Dixon Kerry Dolan Everlena Dolman John Donaldson Mary Donovan Janine Doran David Dority Gloria D'Ottavio Stephanie Dougherty Edward Dougherty Michael Dowling Joseph Doyle Randy Dryden David Dubin Geoffrey Dudick Maureen Duffy Mohinder Dugal Matthew Dugan Rita Duggan Gary Dunton Nancy Durr Steve Eaddy Utessa Earl Pamela Eccles Scott Eckman Teri Eckman Audra Edele Barbara Edelmann Joanne Edwards Joanne Eichenhofer Gay Eichhoff Bruce Ely Ira Epstein Richard Erickson Jeff Esraelian Lori Evangel Matthew Fanelli Felicia Fanelli Marisa Farrell Kim Fasulo Robert Faulkner Carl Favelukes Sharon Fera Gregg Ferguson Robert Fernald Pamela Fernandes Nicholas Ferreri Denise Feulner Peter Fiala Diana Fine Sara Fischer Anna Fischetti Minnie Fitchben Donna Flack Rosanne Fleury Barbara



## Capital Strength

1st Source A13 - DBFO Shadow Toll Road Act I Racers Trust Addison School District No. 4 Advanta Business Trnd Advanta Corporation AEP Resources CitiPower I Pty AESOP Funding II LLC AFC Home Equity Loan Trust 2000-2 Class 1A Aiken County Alabama Industrial Development Authority Alabama Revolving Loan Fund Authority Alameda Power and Telecom Alaska Municipal Bond Bank Authority Albany Unified School District Aledo Community Unit School District No. 201 Allegheny County Allegheny County Sanitary Authority Allegheny Healthcare Dev. Auth. Altoona Area School District Ames Community School District Anaheim Public Financing Authority Anderson County School District No. 2 Anderson County School District No. 3 Ansonia Local School District Apollo-Ridge School District Apple Ridge Funding, LLC Arapahoe County E-470 Public Highway Authority Arapahoe Water and Sanitation District ARG Funding Corp Ascension Parish, Parish-Wide School District Associates Automobile Receivable Trust 2000-2 Auckland Healthcare Services Limited AutoNation Receivables Corp. Babylon Industrial Development Agency Bainbridge-Guilford Central School District Baldwin Park Financing Authority Baltimore Community Development Financing Corp. Baltimore Housing Corp Mtg Bastrop Independent School District Bayview Securitization Corp. Beach Park Community Consolidated SD No. 3 Beacon Hill CBO, Ltd. Beacon School District Bell County Health Facilities Development Corp. Benicia Unified School District Benton Area School District Bergen County Housing Finance Authority Berryessa Union School District Bexar County Bexar County Housing Finance Corporation Bibb County Big River Electric Corp. Biloxi School District Bloomington Municipal Wastewater Utility Board of Trustees of the University of Illinois Borough of Carnegie Borough of Haddonfield Board of Education Borough of Lodi Board of Education Bowling Green R-1 School District Building Corp Bradford Central School District Bradford Exempted Village School District Breckenridge Finance Authority Brentwood Union School District Briggs Elementary School District Brisbane Airports Corporation Broad River Water Authority Buena Park Community Redevelopment Agency Buncombe County Bunker Hill Community Unit School District No. 8 Burlington-Edison School District No. 100 Business Men's Assurance Co of America Butler County Public Building Commission Cal Poly Pomona Foundation, Inc. California Community College Financing Authority California Educational Facilities Authority California Health Facilities Financing Authority California Housing Finance Agency California Infrastructure & Economic Develop Bank California Pollution Control Financing Authority California Statewide Communities Development Auth Cameron Parish School Board Cannon Falls Independent School District No. 252 Canton City School District Capital One Auto Investment LLC Carmel Unified School District Carpentersville Community Unit School District 300 CARs Receivables Corp. Carteret Board of Education Cass Lake-Bena Independent School District No. 115 Cassia and Power Counties Joint SD 381 Cathedral City Public Financing Authority Cedar County Centex Home Equity Corporation Centinela Valley Union High School District Central Dupage Health System Ceres II Finance Ltd. Ceres Redevelopment Agency Chatham Central School District Chelan County Cherokee County Development Authority Chippewa Falls Area Unified School District Chula Vista Elementary School District City and County of Denver City and County of San Francisco Parking Authority City of Absecon Board of Education City of Albuquerque City of Amarillo City of Andover City of Asbury Park Board of Education City of Ashland City of Atlanta City of Austin City of Baltimore City of Baxter City of Beloit City of Bernidji City of Bend City of Bessemer City of Billings City of Birmingham City of Brewer City of Bristol City of Broomfield City of Burlington City of Cairo Development Authority City of Champlin City of Charlotte City of Chicago City of Colorado Springs City of Corvallis City of Cranston City of Crockett City of Cudahy City of Davis Redevelopment Agency City of Des Moines City of Dubuque City of East Providence City of El Paso de Robles City of Ennis City of Euless City of Everett City of Everman City of Federal Heights City of Fort Lupton City of Fresno City of Gastonia City of Glen Cove City of Glendale City of Goodyear City of Goodyear Comm Facil General District #1 City of Grand Forks City of Grand Prairie City of Greeley City of Hermantown City of Hermiston City of Hiawatha City of Humble City of Hutchinson City of Industry City of Irondale City of Issaquah City of Jamestown City of Janesville City of Jersey Village City of Keller City of Kent City of Killeen City of La Porte City of Lakeland City of Lakeville City of Las Cruces City of Lathrop City of Liberal City of Linton City of Long Beach City of Longview City of Lorain City of Los Angeles Community Redevelopment Agency City of Louisville City of Lynn Haven City of Manitowoc City of Mankato City of Maple Heights City of Marion City of Marysville City of McHenry City of Milpitas City of Minot City of Mission City of Monona City of Muskego City of Muskegon Heights City of New Richmond City of New York City of Norco City of North Branch City of North Las Vegas City of North Liberty City of North Olmsted City of North Richland Hills City of Northfield City of Oakland

# Triple-A Performance =

Redevelopment Agency City of Opelika City of Pacifica City of Paterson Board of Education City of Petaluma City of Petaluma City of Port Saint Lucie City of Portage City of Quincy City of Rahway City of Rahway Board of Education City of Redmond City of Richmond City of Saginaw City of Saint Peter City of San Bruno City of San Marcos City of Seal Beach City of Seguin City of Sherrill School District City of Sonoma City of South Houston City of Springfield City of St. Marys City of Steubenville School District City of Tallahassee City of Tucson City of Utica School District City of Watertown City of West Fargo City of West Linn City of Wetumpka City of Whitewater City of Wilsonville City of Wylie City of Wyoming Building Authority Claremont Unified School District Clark County Clark County Improvement District No. 109 Clark County School District Clay Community Unit School District No. 10 Clay County School District Clearwater Funding CNL American Properties Fund Coalinga Financing Authority Coalinga Redevelopment Agency Colorado Housing and Finance Authority Colorado Regional Transportation District Columbia River People's Utility District Commonwealth of Massachusetts Commonwealth of Pennsylvania Commonwealth of Puerto Rico Community College District No. 527 CompuCredit Credit Card Connecticut College Connecticut Higher Ed Supplemental Loan Authority Connecticut Resources Recovery Authority Coronado Community Development Agency Crawford County Credit-Based Asset Servicing & Securities LLC Crown Point Multi-School Building Corporation Cullman County Cullman-Jefferson Counties Gas District Custer County School District No. C-1 CXC Incorporated Dakota County Community Development Agency Dakota County School District No. 11 Delaware Economic Development Authority Delaware State Housing Authority Delsea Regional High School District Board of Ed Denver Public Schools Des Plaines Park District Deutsche Bank District of Columbia Dolgeville Central School District Dothan-Houston County Airport Douglas County Public Utility District No. 1 Dublin San Ramon Services District Duck Auto Owner Trust 2000-B Duval County Housing Finance Authority Early County East Bay Delta Housing & Finance Agency East Bloomfield School District East Pennsboro Area School District East Side Union High School District East West Partners Eastern Iowa Community College District Eastern Kentucky University Easton School District No. 28 Eden Central School District Edgerton School District El Paso County School District No. 22 Electricity Trust of South Australia Elizabethtown City Health and Ed Facilities Board Emporia Unified School District No. 253 Equus Capital Funding Ltd. Erie Sewer Authority Escambia County Housing Finance Authority Essex County Evesham Municipal Utilities Authority Fairbanks Capital Corporation First Florida Governmental Financing Commission First Investors Auto First Rand - South Africa Flagship Auto Receivables Flatrock-Hawcreek Elem. School Building Corp. Florida Housing Finance Authority Florida Municipal Loan Council Florida State Board of Regents Fontana Community Facilities District No. 2 Fontana Redevelopment Agency Foothill-De Anza Community College District Forest Grove School District No. 15 Fort Edward Union Free School District Fowle Elementary School District No. 45 Franklin Auto Trust Franklin Square Union Free School District Fresno Unified School District Fulton County Building Corporation Garfield County School District No. 16 Gemini II EM Genoa Township Georgia Municipal Association, Inc. Georgia Municipal Electric Authority Georgia World Congress Center Authority Global Securitizations Services LLC Global Value Gloucester County Gloucester County Improvement Authority GMAC Commercial Mortgage GMAC Mortgage Corporation Goleta Union School District Gonzales County Hospital District Grady County Industrial Authority Grand Meadow Independent School District No. 495 Greater Arizona Development Authority Greater Lawrence Sanitary District Greater Nanticoke Area School District Greeley Building Authority GreenPoint Credit Corporation, LLC GreenPoint Manufactured Housing Greenville Utilities Commission Greenwood County Unified School District No. 389 Grosse Ile Township Building Authority Groton Central School District Guadalupe-Blanco River Authority Hacienda-La Puente Unified School District Hamilton County Hammond Central School District Hanford Joint Union High School District Harbor Creek School District Harris County Hospital District Harris County Houston Sports Authority Hartnell Community College District Henderson County Water District Highlands County School Board Hill Junior College District Hillsborough County School Board Hockinson School District No. 98 Hopkins County Houston County Board of Education Hubbard County Hudson School District Huntsville Solid Waste Disposal Authority Illinois Development Finance Authority Illinois Educational Facilities Authority Illinois Housing Development Authority Indiana Health Facility Financing Authority Iola-Scandinavia School District Iowa Valley Community College District Island Park Union Free School District Islip Union Free School District Jacksonville Port Authority Jasper County Jefferson Parish Fire Protection District No. 7 Jefferson Parish Sub-Dist #1 of Consol Rec Dist #2 Jefferson Union High School District Jenks Aquarium Authority Jericho Union Free School District Johnson City Health and Educational Facility Board Johnson County Water District No. 1 Kanawha County Board of Education Kandiyohi County Katonah Capital, L.L.C. Kentucky State Property and Buildings Commission Kern County Water Agency Improvement District #4 Kewaskum School District Kiel Area School District Koch Financial Corporation Lafayette Yard Community Development Corporation Lake County Lake County Building Corporation Lane County Lapeer Intermediate School District Lauderdale Co & City of Florence Health Care Auth. Lawrence County Detention Holding Corporation Laytonville Unified School District Lebanon Community School District No. 9 Lee County Housing Finance Authority Lehigh-Northampton Airport Authority Limon School District Public Building Authority Lincoln County Lincoln University Little Thompson Water District Livermore Valley Joint Unified School District Liverpool Central School District Livingston County Los Alamos School District Los Angeles County Regionalized Bus. Svcs. Corp. Los Angeles Unified School District Louisiana Local Gov't Envir Facil & Comm Dev Auth Louisiana Public Facilities Authority Louisiana St Univ Agriculture & Mechanical College Lubbock Health Facilities Development Corporation Luzerne County Madison County School District Magnolia School District Mahopac Central School District Maine Municipal Bond Bank Manatee County Mansfield City School District Mantua Township Board of Education Marcellus Central School District Maricopa County Industrial Development Authority Marion Local School District Maryland Department of Transportation Maryland Dept. of Housing & Community

Cover: from upper left. Jeremy Reifsnnyder > Structured Finance. David Penchoff > Public Finance. Sandy DeKoubia > Management Services. Chris Jumper > International Public Finance. Chris Weeks > International. Lou Lenzi > Legal. Center: Lori Evangel > Structured Finance

MBIA Inc., through its subsidiaries, is the world's leading provider of credit enhancement services, and a leader in asset management and revenue enhancement services to the public and private sectors.

MBIA's Triple-A pledge on municipal bonds and structured finance transactions around the world guarantees timely payment of principal and interest for investors, and lowers the cost

of capital for the issuing entity. With 71,000 issues insured, MBIA has saved issuers nearly \$13 billion in interest costs since inception 26 years ago.

With over \$36 billion in assets under management, MBIA offers a number of flexible investment management options for state and local governments, school districts, pension funds, endowments, institutional investors and high-net-worth individuals.

MBIA also provides revenue enhancement services to municipalities, helping them identify and recover revenues across a full range of tax sources.

MBIA Insurance Corporation is rated Triple-A by Moody's Investors Service, Standard and Poor's Rating Services, Fitch and Rating and Investment Information, Inc.

Our success resides in our unparalleled financial resources as well as our human capital—the expertise and commitment of our employees. These are valuable assets that we invest in, protect and nurture to generate Triple-A performance for our Company and our shareholders. Together our financial and human capital create results for our clients.

# RESULTS

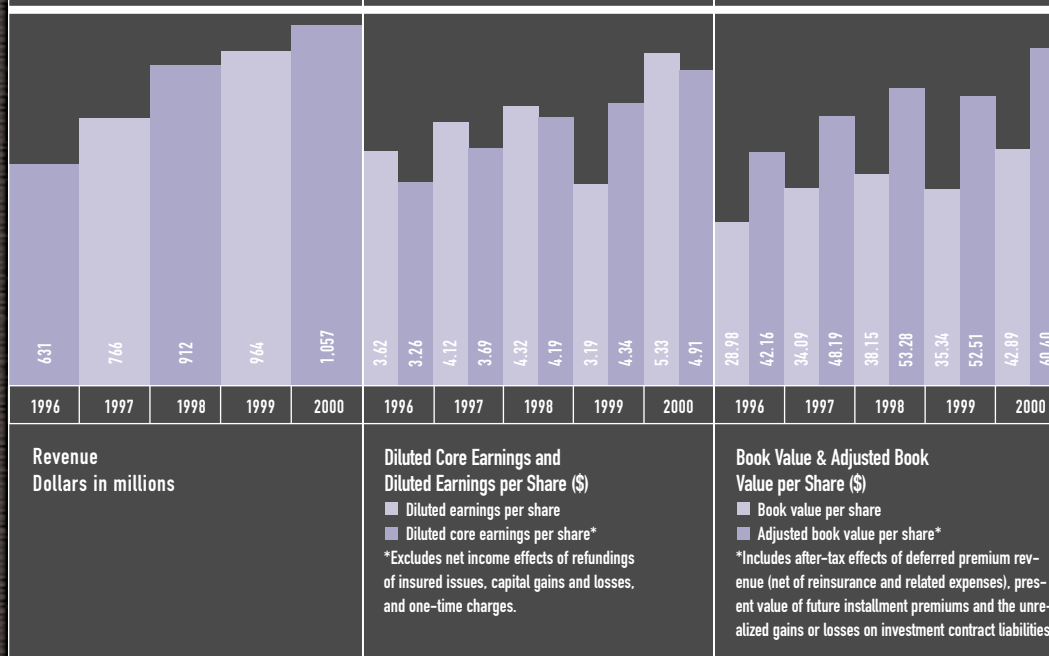
**Security** > Financings insured by MBIA – from an airport in South Australia to an art museum in San Francisco – are backed by our unconditional and irrevocable guarantee of full and timely payment of principal and interest in the event of default. That translates to security for issuers and investors alike.

**Solutions** > MBIA's investment management products and revenue enhancement services provide innovative solutions for public- and private-sector entities by optimizing their assets while safeguarding funds.

**Strength** > MBIA's capital strength, financial resources and staff expertise are the foundation upon which our industry-leading franchise is built.

# FINANCIAL HIGHLIGHTS

in millions except per share amounts	2000	1999	1998	2000 vs 1999	1999 vs 1998
Net income	\$ 529	\$ 321	\$ 433	65%	-26%
Gross premiums written	687	625	677	10%	-8%
Revenues	1,057	964	912	10%	6%
Total assets	13,894	12,264	11,826	13%	4%
Shareholders' equity	4,223	3,513	3,792	20%	-7%
<b>Per share data:</b>					
Net income					
Basic	\$ 5.37	\$ 3.22	\$ 4.37	67%	-26%
Diluted	5.33	3.19	4.32	67%	-26%
Diluted core earnings	4.91	4.34	4.19	13%	4%
Book value	42.89	35.34	38.15	21%	-7%
Adjusted book value	60.40	52.51	53.28	15%	-1%
Return on average shareholders' equity	13.7%	8.8%	12.1%		
Total claims-paying resources	\$9,140	\$8,539	\$7,797	7%	10%





**To Our Owners** > In my letter to you last year, I reported that we initiated a number of steps in 1999 to position us better for long-term growth, though they penalized our short-term financial results. I am pleased to report that these steps bore fruit in 2000, as both our underlying and reported numbers notched up nicely, albeit at the lower end of our stated objectives of a 15% ROE and growth of 12% to 15% annually. Equally important, we ended the year with our balance sheet on a very strong footing and strong prospects in all of our businesses. While I will not be satisfied unless we do a bit better in the years ahead, this was an acceptable year.

Although the day-to-day execution of our business plan contains many risks and challenges, our core strategy is based on some pretty simple principles. First, we need to make sure we have the best team. This means recruiting, training, motivating, retaining and encouraging those people who can execute our plan and rise to the challenges presented by the market and our competitors. As we asked for more from every employee, we also put more days of training in place and rotated a significant number of the insurance team. With better numbers came an

increase in variable pay for a slightly reduced staff. This tracked with the better performance we delivered for our owners this year compared to last.

Secondly, our core insurance operation requires that we strive to achieve perfection through a no-loss underwriting approach. It will be many years before this year's decisions "age" enough to know how close we came, but the year-end assessment looks strong. Our third core strategy is to maintain a strong Triple-A franchise for both existing customers and to



provide opportunities for the future. By all measures we ended the year stronger than we began. Our last goal is to build value for our owners. On this front we are back on track to increasing the value of the enterprise at a 12% to 15% annual compound rate.

We did make one major strategic decision early in the year. It was a tough call after five extraordinarily successful years in operating internationally through a Joint Venture with our major domestic competitor Ambac; the decision was reached that both companies could now succeed alone. We started the Joint Venture in the mid-nineties to minimize expenses and maximize our reach as the global capital markets developed. Having established a major presence for the financial guarantee industry outside of the United States, we concluded that the original premise of expense savings had been achieved and both companies could effectively compete in the large and growing market with-

out the nuances of a Joint Venture. David Elliott made a great decision in initiating the partnership with Ambac and providing a great platform to build on as we go forward. Jack Caouette moved to London and led his team to a 40% growth. We fully expect to see around 25% compound annual growth in the next five years in these rapidly expanding markets.

My partner Gary Dunton continued leading our push on underwriting high quality credits at an acceptable margin in our insurance operations. Quality increased and we maintained margins comfortably above what will be needed for us to achieve our 15% ROE and profit objectives. Despite another year of reduced opportunities in the domestic public finance market, we saw opportunities in domestic structured and international business that allowed us to increase adjusted gross premiums 11%. Our continued focus on balancing our portfolio resulted in our ceding 28% of our premium well in excess of my



forecast last year of 17% to 20%. Given the diversity of risks we see in our expanded operations, it would seem that this ratio will bounce around quite a bit from year to year so I will not try and give a precise forecast again this year.

Gary, Neil Budnick and the entire insurance team did a fine job in bringing our expense growth back in line in 2000. Policy acquisition expenses before deferrals were flat and operating expenses grew only 4%. While we saw improvement in our statutory expense ratio from the 23.6% we recorded last year to 22.1%, we will not be satisfied until we hit our goal of getting below 20%.

Neil and the finance team continued to focus on maintaining a strong balance sheet for our insurance operations. With our overall portfolio quality notching up a bit, we were able to grow claims-paying resources at the same 7% growth we saw in aggregate net debt service and provide strong cash flow to our holding company. Our

unallocated loss reserve grew 12% to \$259 million and total loss reserves were up 7% to \$468 million. Although the decision to increase this provision in 1999 was painful, it will serve us well as we go through the inevitable bumps we see from time to time.

MuniServices had another very challenging year as they narrowed their focus to a smaller number of accounts. New profitable production and a further reduction in expenses allowed them to achieve their 2000 goal of making a modest \$600 thousand profit versus the \$12 million loss recorded in 1999. We expect Tom Wilkerson and his team will see nice progress in the year ahead as they push towards becoming a significant cash and profit generator for our owners.

Our asset management operations had another fabulous year under the leadership of Thacher Brown, increasing assets under management to \$36 billion, an increase of 22% from the prior year. Operating margins held firm in

the mid-forties with operating income increasing 38% to \$56 million. The team at 1838 led the way with a 59% increase in income, and Marc Morris and his team also had a fine year recording a 41% increase. MISC and CMC also saw double-digit increases in assets under management and continued to make solid contributions to the bottom line.

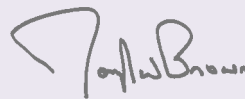
In contrast to 1999 where write-offs and balance sheet actions dominated the story, the reported numbers were a tad more positive in 2000. With some help from the drop in interest rates and a return to solid profitability, our owners equity increased 20% to \$4.2 billion and a corresponding increase in book value per share was recorded from \$35.34 to \$42.89. Although we achieved an 11% increase in adjusted gross premiums written, we only achieved a 9% increase in deferred revenue resulting in a more modest 15% growth in adjusted book value to \$60.40 per share.

MBIA's net income exceeded a half billion for the first time in 2000. This was driven by a core income per share increase of 13% to \$4.91, at the low end of our targeted range. A significant drop in refunded premiums held our operating income growth to 8% at \$5.12 per share but operating ROE was acceptable at 13%. These good results and our strong balance sheet allowed us to buy back 1.7 million shares and

pay out \$81 million in dividends to our owners.

As we closed the year the value of our insurance product is again in the news. Holders of MBIA-insured debt of utilities based in California know their cash flows are secure and have seen virtually no change in value as values for uninsured debt have fallen by as much as 50%. While the energy situation in California is complex, it is essential that electricity will flow and we remain optimistic that an acceptable solution will ultimately be achieved with minimal losses, if any.

Having returned to performance consistent with our past and at the low end of our long-term range of objectives, we are looking forward to another year of building our franchise value. I continue to be excited and challenged by the bright prospects we see in our core business and feel energized leading the team of talented MBIA employees who are working hard and smart to create value for our owners.



JOSEPH W. BROWN  
Chairman and Chief Executive Officer  
March 6, 2001

## Q&A with MBIA's President >

During the course of the year, we field various questions from shareholders, analysts, clients, rating agencies and the media. Gary Dunton answers some of these questions for you here.



### **CAN MBIA COMPETE SUCCESSFULLY WITH MULTILINE INSURERS SEVERAL TIMES ITS SIZE?**

Yes, much as in the way a single-event Olympian can successfully compete against a decathlon athlete – through focus and concentration of resources. We are an insurance company specializing in credit enhancement for public finance and structured finance clients globally. All of our critical resources are concentrated on those two markets – new business production, underwriting, product development, surveillance and portfolio management. As a result of our resolute and limited focus we have developed the scale and very competitive skills necessary to both underwrite effectively and provide second-to-none service to our customers in these markets.

### **SINCE MBIA IS THE LARGEST MONOLINE, WHY DOESN'T IT HAVE THE LOWEST EXPENSE RATIO?**

For many years we did have the lowest expense ratio – but the lowest expense ratio per se is not the most important element of our business or our financials, especially given the increasing breadth of our business opportunities. No-loss underwriting and strengthening our leading business franchise are more important elements. Having said that, we are very determined to lower our statutory expense ratio to 20% or lower in the current year. It may or may not be the lowest in the industry. In any event, we will continue to invest significantly in our future – in the growth and development of our employees, in continuing the development of our state-of-the-art portfolio management capabilities, and in having the quality and quantity of profes-

sionals where our customers need them – to name but three key initiatives.

**MBIA HAS HAD BAD EXPERIENCES IN THE MUNICIPAL SERVICE SECTOR. WHY DOESN'T IT SELL MUNISERVICES?**

Yes, we have certainly learned our lessons regarding diversification into businesses that are new to us and/or capital intensive. In the case of Capital Asset, it's been both. Our remaining MuniServices platform centers around providing municipal governments with revenue enhancement services – tax discovery, audit and collection and the provision of taxpayer information. We both understand this business and believe it to have decent profitable growth prospects. We are however keeping our eyes open for potential partners who might help us grow this business further.

**HOW DOES MBIA MAKE CAPITAL ALLOCATION DECISIONS? SHOULDN'T IT JUST BUY BACK MORE STOCK?**

We allocate capital based upon business opportunities to grow our core credit enhancement and asset management businesses profitably. As a result of our recent success at getting more price for our insurance product coupled with prudent risk and capital management, we have been able to strengthen our capital base. For the first time in many years we are generating

more capital than even our current attractive business prospects require. Such capital has been and will be used to repurchase shares when we feel the price is attractive. However, we would much prefer to use our capital for the further profitable expansion of our franchise.

**MBIA HAS STATED IT IS TRYING TO ALIGN EMPLOYEES' INTERESTS WITH THOSE OF ITS OWNERS BY EMPHASIZING MORE STOCK-BASED INCENTIVES. IS THIS CHANGING THE CULTURE?**

Our culture is definitely moving toward more alignment between employees and shareholders. All officers of MBIA, from the vice president level and above (43% of the total employee base) have a significant percentage of their total compensation tied to both the price of our stock as well as to the growth in adjusted book value. The percentage ranges from 15% for vice presidents to over 80% for Jay and me. In addition, all of the company match for our 401k plan is in the form of MBIA stock. An example of our employees' concern is instructive. We frequently have all employee meetings to discuss important business issues. The most well attended meeting over the past few years was one we called when our stock price sank to \$36 last year. EVERYBODY was concerned and incentivized!



**MBIA HAS A NO-LOSS UNDERWRITING APPROACH. WHY DOES IT KEEP HAVING LOSSES?**

Our no-loss underwriting standard – no losses under the worst probable case scenario – is the most important discipline that we have as a Triple-A-rated credit enhancement company. It is applied to every transaction we underwrite, every day. However, on an overall portfolio basis we have had and fully expect to incur occasional “unexpected” losses. That is why we have unallocated loss reserves. Over our history our statutory incurred losses approximate 3 basis points of our total net debt service written. We try very hard to avoid losses through careful team underwriting and aggressive portfolio management, but clearly it is difficult to be perfect.

**MBIA HAS THE LARGEST UNALLOCATED LOSS RESERVE AMONG THE MONOLINES. WHY DOES IT KEEP ADDING RESERVES AT A FASTER PACE THAN ITS COMPETITORS AND PENALIZING CURRENT SHAREHOLDER RETURNS?**

A key to our success as a Triple-A-rated credit enhancement company is to have a balance sheet of unquestioned financial strength. One important element is the absolute size and relative strength of our unallocated loss reserve. At any point in time we would rather have more than less. In addition, our “more is better” approach provides us with further pricing discipline as these reserve costs need to be funded out of current premiums. If we find over the years that we are being too conservative, we can always adjust our additions accordingly. This is certainly better than the other way around. The quality of current earnings is very important to us.

# It was a winning year in MBIA's insurance operations



10  
11

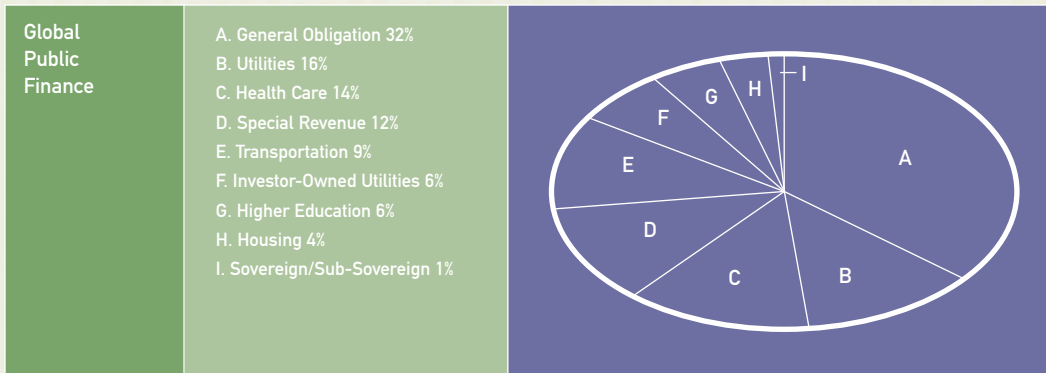
From upper left. Cindy Praschnik, David White > International. Paul Mansour > Public Finance. Deborah Zurkow > International. James Allen > Public Finance. Nick Ferreri > Business Analysis. David Dubin > International. Hai Hong > International Public Finance. Center: Nick Sourbis > Structured Finance

# 1. SECURITY

**Insurance Operations** > Over the years, MBIA's financial guarantee products have evolved and grown to meet the exploding and complex demands for secure capital in the world markets.

In the early 1970s, financial guarantee insurance was created to help state, city and other government agencies raise capital to fund major municipal works projects. With MBIA's Triple-A rating on their bonds, issuing agencies could raise money at lower interest rates to build schools, transportation systems, hospitals and other public works. Indeed, since MBIA began insuring public finance projects in 1974, we've helped borrowers save some \$13 billion in interest costs.

MBIA's guarantee on a bond is an irrevocable pledge to make timely principal and interest payments for the life of the bond, should the issuer or the assets supporting the bond become unable to do so. Our Triple-A guarantee enhances the bond's marketability to investors, and results in a win-win-win scenario for the issuer, investor and MBIA.



This fundamental concept of using Triple-A-rated guarantees to lower interest borrowing rates and enhance investor appeal is also embodied in the highly complex worlds of domestic and international structured finance. Though the transactions we insure in these markets are innovative and often challenging – from collateralized debt obligations and global infrastructure financings to credit card receivables and franchise loans – the result is always the same: it’s a winning strategy for all concerned.

And it was, in fact, a winning year overall for MBIA’s insurance operations. MBIA led the industry in adjusted gross premium (AGP), which consists of both upfront premiums written and the present value of estimated installment premiums for new business writings. AGP increased 11% to \$803 million from \$724 million in 1999. Insurance operations achieved a 36% increase in insurance operating income to \$698 million from \$515 million in 1999. Excluding a one-time pre-tax charge of \$153 million to increase loss reserves in 1999, insurance operations income rose 5%. Expected rates of return among all our insurance business lines reached record levels for 2000.

Significantly, these results were achieved while maintaining strong underwriting criteria, as 75% of our par insured was rated “A” or above. Our commitment to zero-loss underwriting and conservative risk management practices underscores the safety, strength and longevity of MBIA’s Triple-A ratings, and it preserves our high quality

## The division achieved strong profitability, despite a decline in municipal volume

insured portfolio while enhancing shareholder value. This commitment is constant across our Public, Structured and International lines of business, and it is the foundation upon which our success was, and will continue to be, built.

**BUILDING STRENGTH IN PUBLIC FINANCE** > MBIA's Public Finance Division helps serve the nation's financing needs, offering specialized expertise in general obligation and revenue bonds in all municipal sectors. The company also insures bonds in the secondary market for all of these credit types, for the benefit of individual investors as well as for unit investment trusts and bond funds.

Higher interest rates led to a sharp decline in new issuance and refundings throughout 2000 – a 25% downturn in insured volume from \$104 billion in 1999 to \$78 billion in 2000. Despite significantly reduced market activity, AGP for the Division decreased just 5% to \$361 million in 2000 from \$378 million in 1999. Profitability was exceptionally strong in 2000 through record growth in its secondary market business, restructuring opportunities in its health care portfolio and the ability to win mandates to do select deals with the highest possible rate of return.

One of the many interesting deals the Public Finance Division insured in 2000 was the \$107 million San Francisco Asian Art Museum transaction. The Museum, which opened in 1966 and is today one of world's largest museums of Asian art, had space to exhibit just 15% of its extensive collection.



MBIA worked with the underwriter and the Museum's finance team to recommend an innovative deal structure. Although the California Infrastructure and Economic Development Bank issued the bonds on behalf of the Museum's Foundation (its fundraising arm), the base loan payments are a direct, absolute and unconditional obligation of the Foundation. In addition, the Foundation granted a security interest in its gross revenues to further secure the base loan payments.

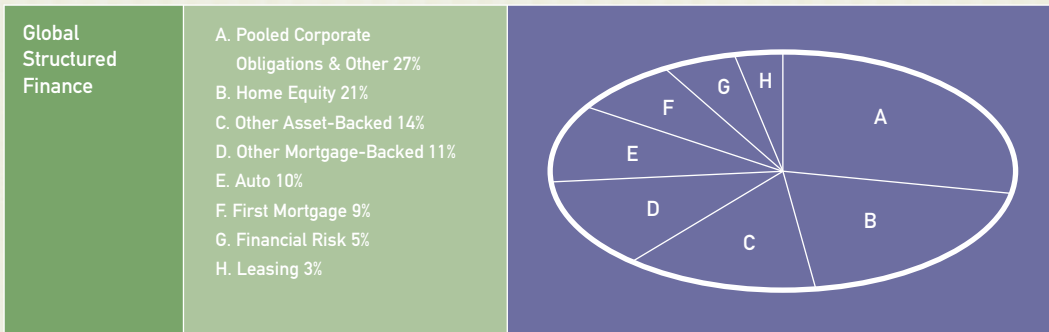
Today, plans are well underway to relocate the Asian Art Museum from Golden Gate Park to its new home in the historic San Francisco Civic Center district. Scheduled to open in fall 2002, the new Museum will be a world-class destination for visitors and a source of pride for all San Franciscans, who will finally have a remarkable showcase for this important collection.

During the year, the Division furthered the company's commitment to take a leadership position in the e-commerce revolution. In July we began offering online insurance quotes on secondary market trades through BondLink, a web-based, real-time bond trading service for fixed-income securities.

While this technology shows important promise, this year's online activity was modest. We view this endeavor as just the first of several web-based partnerships that will enhance our distribution channels and make MBIA insurance easily accessible through the Internet, as the retail demand for online securities continues to grow.



## Industry expertise and global relationships give our structured finance unit its competitive edge



**STRUCTURING SUCCESS IN THE ASSET-BACKED ARENA** > Well-balanced market coverage, a diversified stream of revenues, and unique market opportunities shaped MBIA's growing structured finance businesses in 2000. Nearly a decade after writing its first policy, the Structured Finance Division's ability to attract new issuers while expanding globally and into a variety of asset classes has resulted in solid results across the board.

Despite aggressive underwriting competition in a number of market sectors, the Division achieved AGP of \$278 million, up 22% from the year before. Among the Structured Finance business units, the Consumer Asset-Backed Department, which insures transactions backed by a variety of consumer loans, reported steady insured volume growth in automobile loans and credit card receivables and established a number of new issuer relationships. One of the group's noteworthy transactions in 2000 was its \$600 million guarantee for Spiegel, Inc., a leading U.S. retailer. The notes are backed by credit card receivables created through cardholder purchases at Spiegel's retail facilities, which include Eddie Bauer, Newport News and Spiegel Catalog. Working with Spiegel's finance team and the lead underwriter, Banc of America Securities, MBIA helped structure an efficient and unique deal which resulted in significant cost savings and a diversification of funding for Spiegel.

The Division's achievements are due primarily to its principal competitive advantages: exceptional staff expertise and global client relationships. The combined skills of

our domestic and international staff form a powerhouse of talent, offering an unmatched level of structuring expertise and product knowledge to clients throughout the U.S., Europe, Japan and the Asia-Pacific Rim.

**GROWING OUR FRANCHISE IN GLOBAL MARKETS** > MBIA's International Division turned strong growth and opportunities in the global capital markets into outstanding results for the year, strengthening the company's global platform and spreading the benefits of our Triple-A rating into new markets.

Our robust performance overseas benefited from five major trends that appear to be accelerating in the international markets, particularly in Europe. Privatization, disintermediation of the banking system, decentralization of public finance, a growing need for infrastructure finance, and reformation of pension systems all fuel prospects for credit enhancement. The Division posted a 40% increase in AGP, to a record \$165 million from \$117 million in 1999.

In April, MBIA announced a restructuring of its international joint marketing and reinsurance arrangements with Ambac Financial Group, Inc., which had been in place since 1995. The restructuring enabled both companies to market and originate international financial guarantee insurance separately.

These new arrangements greatly increased MBIA's operational flexibility and effectiveness in global markets during 2000. The Division reinforced collaboration between



## 2000 was a break-out year for MBIA's international business, and strong growth should continue

its U.S. and international analysts and insured a wider range of transactions, including complex structured securitizations in Australia and Japan.

The Collateralized Debt Obligation Department accomplished its goal of continued expansion into synthetic and cash market CDOs, both domestically and in the European markets. The Future Flow and Structured Trade Finance Group posted another strong year, highlighted by geographic diversification across three continents. One of the group's more noteworthy transactions was a \$125 million guarantee for CVRD, Brazil's largest mining concern and one of the world's leading producers of iron ore. The securitization, backed by iron ore exports, was the first of its type in Brazil to achieve investment grade underlying ratings by Standard & Poor's Corporation and Moody's Investor Service.

The International Division established its headquarters in London this year, and also includes Paris, Sydney, Tokyo, Madrid, Singapore, San Francisco and Armonk on its roster of offices. Overall, this was a break-out year for our international business, and we expect growth prospects to be strong for the next several years.

**LOOKING AHEAD >** We are optimistic about continued growth in all the markets we serve, with particularly strong opportunities overseas. All around the world, issuers and investors seek out the benefits of MBIA's Triple-A guarantee. Market conditions in the U.S. and abroad are favorable across all our insurance business lines, and our optimism is buoyed by ongoing demand for MBIA's unique value proposition.



# Our investment management businesses saw operating income soar 38%



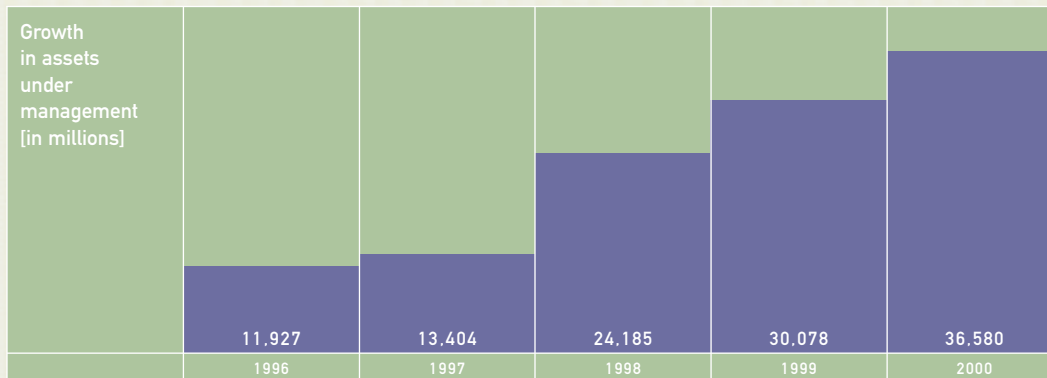
18  
19

From upper left, Cliff Corso > MBIA Capital Management Corp. (CMC), George Gephart > 1838 Investment Advisors, Laura Schneider > MBIA Investment Management Corp. (IMC), Francie Heller, Andrew Goodale > MBIA Municipal Investors Service Corporation (MBIA-MISC), Melissa Wright > CMC. Center: Marc Morris > IMC

# 2. SOLUTIONS

**Investment Management** > MBIA Asset Management group offers a broad range of services to state and local governments, academic institutions and other public- and private-sector investors to help them meet their investment objectives and mitigate risk.

The group scored exceptionally strong results in 2000, with each of its four business units showing solid growth over the prior year. Overall operating income for the group exceeded \$56 million – a 38% increase over 1999. At year-end, the group had over \$36 billion in assets under management, a 22% increase over 1999. Revenues approached \$119 million, up 37% from \$87 million in 1999.



One of the group's business units is **1838 Investment Advisors LLC**, a full-service asset management firm based in Radnor, Pennsylvania. The firm manages \$14.3 billion in assets, up 27% over 1999, including domestic and international equity, fixed-income and balanced portfolios for a client base of high-net-worth individuals, mutual funds, endowments, foundations and employee benefit plans.

To efficiently manage its growth in assets under management, 1838 dramatically expanded its trading and administrative staff. The bulk of the new assets were raised in 2000 through 1838's extensive network of financial intermediaries, including a number of national and regional brokerage firms. This network grew significantly during the year as a number of new financial intermediaries signed on to become part of 1838's distribution channel.

Another of 1838's products is TaxSmart, a personalized investment management tool designed to maximize investors' after-tax rates of return. Holdings are first analyzed for investment attractiveness, tax liability and contribution to portfolio diversification. Results are then compared with 1838's model portfolio, and the TaxSmart system recommends trades that offer a well-balanced approach to return maximization, tax minimization and portfolio diversification. Despite a difficult market, assets in TaxSmart

doubled by year-end 2000 to \$3 billion from \$1.5 billion in 1999. TaxSmart arms investors with a full understanding of their portfolio's tax implications, and helps them make better investing decisions.

With its array of tax management tools, its superb record and its extensive distribution network of financial intermediaries, 1838 expects continued strong growth in 2001.

**MBIA Municipal Investors Service Corporation (MBIA-MISC)**, an SEC-registered investment adviser, provides investment management services to the public and not-for-profit sectors. Its principal products are highly liquid, short-term pooled local government cash management programs for school districts and municipalities. In addition, MBIA-MISC provides services for state pools and investment programs sponsored by public sector associations, as well as customized asset management services. By year-end 2000, the group managed \$8 billion in public funds.

In May, MBIA-MISC turned its investment expertise into a consolidated investment management business, and now offers its clients a full range of services – from CLASS®, a short-term, highly liquid cash management program for school districts and municipalities, to CAM, a fully customized asset management program for public entities of all types. With this expanded product line, MBIA-MISC can assist clients in investing their operating funds, bond funds, and reserve funds. MBIA-MISC manages \$2 billion in the CAM program and \$6 billion through its pooled



products and administrative and accounting services.

**MBIA Investment Management Corporation (IMC)** offers guaranteed investment agreements, flexible repurchase agreements and forward delivery agreements. With MBIA's guarantee on these investments, which are used primarily for bond proceeds and other dedicated funds, municipalities and other issuers can minimize risk while investing their money in a customized vehicle that will generate targeted returns until the money is needed for debt service payments, capital projects or other uses.

IMC had an outstanding year, with \$4.8 billion in investment and repurchase agreements outstanding at year-end 2000, and pre-tax operating profit up 41% over 1999.

The fourth subsidiary is **MBIA Capital Management Corp. (CMC)**, an SEC-registered investment adviser and NASD-member firm offering fixed-income asset management for public entities, not-for-profit organizations and corporations. CMC also invests the assets of MISC, MBIA, IMC and 1838's fixed-income funds.

In 2000, CMC delivered another year of solid growth as assets under management grew 16%, topping \$17.5 billion at year-end. The group achieved another record year of profitability and is strongly positioned for further growth in 2001.

MBIA's investment management businesses offer the full range of core equity and fixed-income products to our clients. Building on year after year of solid growth, these businesses should continue to thrive in the coming years.



**MUNICIPAL SERVICES** > In 1996, MBIA began offering revenue enhancement services to the public sector, chiefly through three separate, acquired companies offering tax discovery, tax compliance and tax information services. Two years later, we reorganized these companies into a single, national enterprise, the MBIA MuniServices Company (MMC). Immediately thereafter, MMC began a 24-month transition period with profound changes in every facet of the business – from products and services to business process and organization. As a result, in 1999, MMC began a run of eight consecutive quarters with improved performance, culminating successfully at the end of 2000 with operating income over \$600 thousand, up from a \$12.4 million loss in 1999. Moderate growth is expected to continue for this group.

Today, MMC is the nation's foremost supplier of revenue enhancement services to state and local governments. The company provides public-sector clients the unique capability to properly identify all taxpayers, establish the correct jurisdiction wherein they will owe taxes, accurately bill these taxpayers, and assist in the collection of due taxes across the full range of tax sources. In addition, it provides clients with a broad range of information services for strategic planning.

As it enters 2001, MMC is focused upon using its proven services and products to open new markets while exploring the full envelope of revenue enhancement services to chart tomorrow's opportunities.



# Capital strength that is unparalleled in the industry



24  
25

From top, center. Karleen Strayer > IPM. Roger Harris > Information Technology (IT). Emete Hassan > Fixed-Income Investor Relations. Jane Klemmer > Risk Management. Doug Hamilton, Roz Hume > Finance. Center: Judy Radasch > Equity Investor Relations

# 3. STRENGTH

**Financial Strength** > MBI's Triple-A ratings are the core of our business, and we have extraordinary procedures in place to maintain and protect them. Rigorous application of these processes has helped us build a company with capital resources that are unparalleled in the industry.

**Uncompromising Underwriting** > Our unwavering commitment to a no-loss underwriting strategy is one example of the rigor with which we approach our business. Nearly every transaction we consider for insurance would be rated investment grade on its own merits. We also apply our own rigorous analysis and structuring expertise to ensure that each transaction meets our own strict underwriting criteria. Sophisticated risk management tools are used to determine the impact of the transaction on our overall portfolio, how much of the transaction to retain for our own account, and how much capital we need to set aside to support the transaction.

Claims-Paying Resources [in millions]	1996	1997	1998	1999	2000
	5,819	6,785	7,797	8,539	9,140

We also use risk-based pricing tools to measure returns at appropriate and acceptable premium rates. We then apply this information, analysis and our negotiating skills to achieve the best deal we can for MBIA, often in the face of stiff competition. Once the transaction is insured, we diligently monitor its progress throughout its life. Our insured portfolio management activities are designed to detect deterioration in credit quality early on, so that we can take the necessary steps to remediate the credit and avoid or mitigate claims on the policy.

While they are extremely rare, claims do happen. In 26 years of business, MBIA has insured 71,000 issues, totaling \$1.2 trillion in debt service. We have incurred losses totaling \$308 million on 37 of those issues, for an exceptionally low loss experience of 3 basis points. To cushion the potential impact of future losses, we carry loss reserves for each transaction we insure. This results in an unallocated loss reserve totaling approximately 6 basis points of net par outstanding. We expect that our unallocated loss reserves will provide ample room to absorb any future loss activity.

**MEASURES OF SUCCESS** > The steps we take to protect our Triple-A ratings are deeply etched into our culture, and their effectiveness is plainly evident in the extraordinary capital strength we've achieved. The quality and diversity of our insured portfolio is one measure of our success. Our geographically diversified portfolio consists of over 35,000 outstanding bond issues, with no one credit accounting for more than 1% of total par

## An uncompromising commitment to protecting our Triple-A ratings

insured. Fully 74% of our insured par is rated Single-A or higher.

Our \$7 billion investment portfolio of fixed-income securities is also very strong. With 86% rated Double-A or higher, the portfolio contains no derivatives for speculative purposes, no real estate and no junk bonds.

**CAPITAL STRENGTH** > Two other critical measures of our capital strength are the size of our claims-paying resources and the ratio of our insured exposure to these resources. At year-end 2000, total claims-paying resources were \$9.1 billion. Since our inception as a public company in 1987, these resources have grown an average of 18%, resulting in a ratio of net par outstanding to claims-paying resources of 46:1, the best in the industry.

Another measure of MBIA's capital strength is our ready access to capital at attractive costs, and the flexibility to apply that capital to achieve maximum returns for our shareholders. This year, we raised \$200 million through two debt offerings in December at very attractive prices. We have soft capital facilities of over \$1 billion, represented by a stand-by line of credit facility and a stop-loss reinsurance agreement. Our continually strengthening capital position allows us to grow our businesses in vibrant areas such as structured and international finance.

By every measure, the strengths of MBIA's operations are important aspects of, and also builders of, our capital strength, providing a strong foundation for future growth and profitability.



# HUMAN CAPITAL

Human capital is the true wealth of business. It is the currency of knowledge, and with careful management, nurturing and development, it is the catalyst for a company's financial success. At MBIA, we are committed to managing the expertise of our employees to build profitability and shareholder value. We start with our most important asset, our people, whose depth and breadth of knowledge – in all credit sectors – is unparalleled in the industry. We invest in them with powerful motivators like responsibility, technology, challenging work, professional development and performance-based compensation.

**KNOWLEDGE FLOW** > We then structure our organization to manage the flow of our employees' knowledge and expertise. Each transaction we insure is reviewed by a cross-functional team from New Business, Risk and Insured Portfolio Management to mine the expertise and intelligence across a number of functions. As a result, the knowledge required to analyze and insure a toll road in Denver can be easily transferred when insuring a toll road in Chile. This structure ensures rich and rapid communication, builds teams and reduces bureaucracy.

Another important component of our investment in our employees is providing them with the best tools to do their jobs. That can mean training, such as our comprehensive workshops in Risk Management and Managing and Leading. The benefits of these programs extend beyond

their curriculum, as they help strengthen MBIA's corporate risk culture and often result in long-lasting bonds between co-workers.

**TECHNOLOGY TOOLS** > Or it can mean making large investments in advanced technology to deliver information and streamline processes, freeing up staff time for other important work. With our entry into online trading, and ongoing investment in applications to facilitate functions such as surveillance and research, we are giving our employees the best tools possible to keep our competitive advantage secure.

As a team, MBIA employees are building a great tradition and culture. They are the heart and soul of our business, and position us as the strongest team in the industry. Because of the growing strength of our human capital, MBIA's capital strength is stronger than ever.



We are organized and equipped to  
promote the exchange of knowledge



Human capital is the catalyst  
for our financial success



# MBIA AT A GLANCE

MBIA is the global leader in credit enhancement services, with over 750 employees staffing 23 offices worldwide. Since its inception in 1974, the company has insured 71,000 municipal and structured finance transactions, saving issuers some \$13 billion in interest costs. MBIA is also a leading provider of asset management and revenue enhancement services to the public, private and not-for-profit sectors.

## Financial Guarantee Products and Services for Global Markets

MBIA's Triple-A rating means more than a lower interest rate and easier access to capital. It means that we provide an irrevocable pledge of full and timely payment of principal and interest on all the transactions we insure.

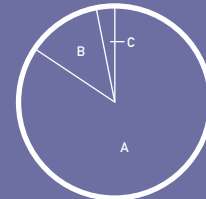
**MUNICIPAL DEALS** > general obligation, higher education, tax-backed, housing, municipal and investor-owned utilities, health care, student loans and transportation in the new issue and

secondary markets around the world.

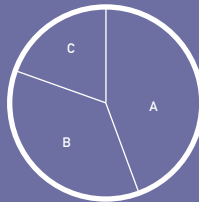
**STRUCTURED DEALS** > securitizations backed by commercial, consumer and mortgage-backed assets, proprietary funding vehicles such as commercial paper and medium-term notes, credit enhancement for issuers of and investors in Guaranteed Investment Contracts and other stable value products, CDOs, trade finance, financial engineering, credit derivatives, and infrastructure leases around the world.

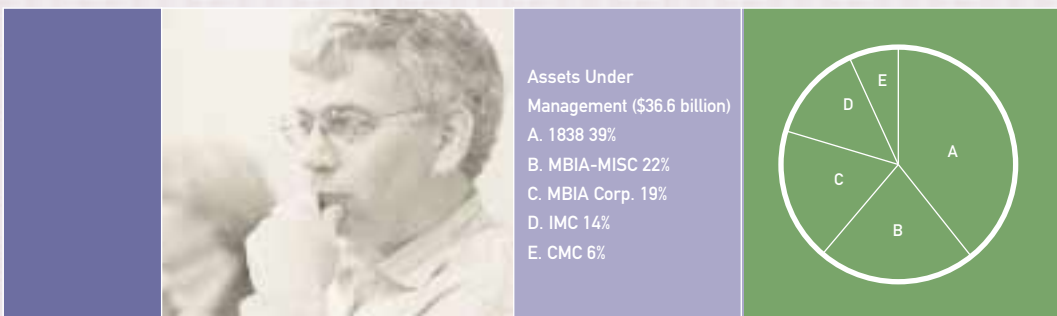


Revenue Sources 2000  
A. Global Credit Enhancement 85%  
B. Asset Management 12%  
C. Municipal Services 3%



Financial Guarantee Premium Sources 2000  
A. Domestic Public Finance AGP 45%  
B. Domestic Structured Finance AGP 35%  
C. International AGP 20%





**Investment Management Products & Services**

MBIA offers highly specialized asset management products and services to public-and private-sector clients, including municipalities, school districts, high-net-worth individuals, corporations and not-for-profits to help them optimize their assets while mitigating risk. Services include:

- domestic and international equity management

- guaranteed investments for bond proceeds and other funds, and fund administration
- fixed-income asset management for public entities, not-for-profit organizations and corporations
- short-term cash management of pooled municipal funds
- customized asset management for individually managed accounts

**Municipal Services**

Through three distinct services, MBIA helps municipalities generate tax revenue more efficiently:

• **TAX DISCOVERY AND COMPLIANCE >**

Our tax discovery and tax enforcement systems identify previously unknown taxpayers as well as taxpayers who are not fully compliant with the local tax codes. These discovered taxpayers are then brought into compliance yielding what amounts to new revenue for the jurisdiction.

• **TAX REVIEW AND ANALYSIS >**

Our analysis of existing tax rolls and other revenue sources has identified significant administrative and processing errors that have yielded hundreds of millions of dollars of new revenue for clients.

• **REVENUE INFORMATION SYSTEMS >**

MBIA's specialized revenue information systems enhance the yield of revenue data through data cleaning, monitoring, analysis, standardization and integration.

# LOCATIONS

## Corporate Headquarters

MBIA Inc.  
113 King Street  
Armonk, NY 10504  
914-273-4545  
www.mbia.com

## Financial Guarantee Business Offices

MBIA Insurance Corporation  
113 King Street  
Armonk, NY 10504  
914-273-4545

650 Fifth Avenue, 7th Floor  
New York, NY 10019  
212-713-6400

The TransAmerica Pyramid  
600 Montgomery Street  
Suite 4400  
San Francisco, CA 94111  
415-352-3050

MBIA International Marketing  
Services Pty. Ltd.  
Level 29, The Chifley Tower  
2 Chifley Square  
Sydney NSW 2000  
Australia  
612 9375 2117

MBIA Assurance, S.A.  
112 avenue Kléber 75116  
Paris, France  
33 1 5370 4343

MBIA Sucursal en España  
Serrano, 20-2º Dcha  
28001 Madrid, Spain  
34 91 435 10 43

MBIA Assurance S.A.  
**Branch Office**  
MBIA Insurance Corporation  
**Representative Office**  
1 Great St. Helen's  
London, EC3A6HX  
England  
44-20-7920-6363

MBIA Insurance Corporation  
**Representative Office**  
Mitsui Marine Building  
9 Kanda Surugadai 3-chome  
Chiyoda-ku, Tokyo, 101-8011  
Japan  
81-3-5282-4621

MBIA (Singapore) Pte Ltd  
9 Temasek Boulevard #38-01  
Suntec Tower Two  
Singapore 038989  
65-334-2555

**Investment Management Offices**  
MBIA Investment Management  
Corp. (*investment agreements*)  
MBIA Capital Management Corp.  
(*fixed-income asset management*)  
MBIA Municipal Investors Service  
Corporation (*CLASS®, CAM*)  
113 King Street  
Armonk, NY 10504  
914-273-4545

MBIA Municipal Investors Service  
Corporation  
1700 Broadway, Suite 2050  
Denver, CO 80290  
303-860-1100

1838 Investment Advisors, LLC  
Five Radnor Corporate Center  
Suite 320  
100 Matsonford Road  
Radnor, PA 19087  
610-293-4300

**MBIA MuniServices**  
(*specialized financial services for the  
public sector*)  
113 King Street  
Armonk, NY 10504  
914-273-4545

714 Market Street  
3rd Floor  
Philadelphia, PA 19106  
800-627-3491

32107 West Lindero Canyon Road  
Suite 233  
Westlake Village, CA 91361  
800-247-4406

3433 W. Shaw Avenue  
Fresno, CA 93711  
800-800-8181

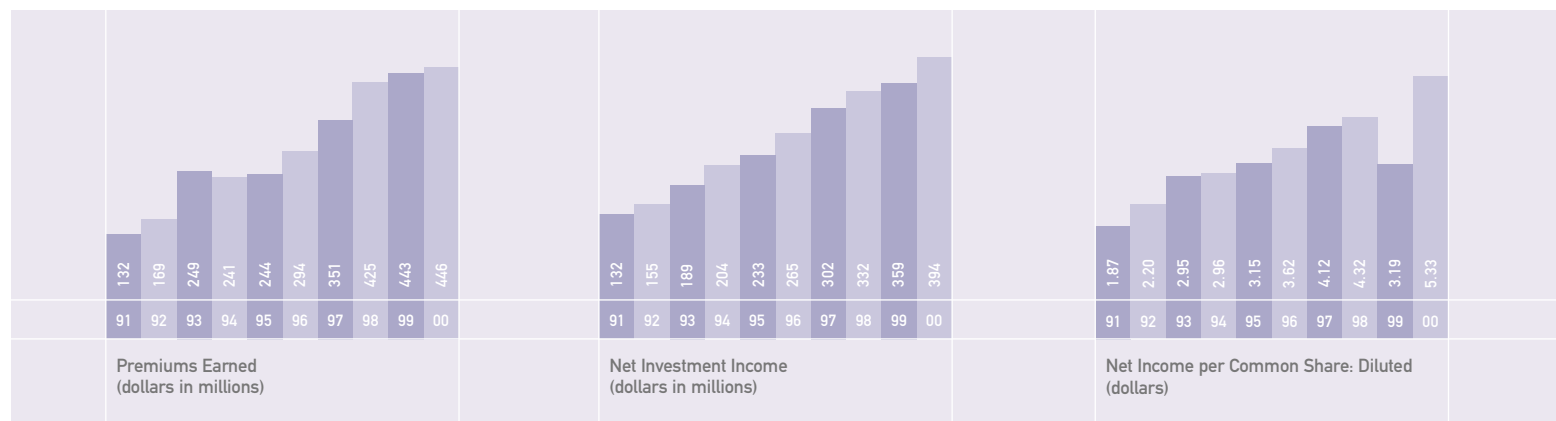
# FINANCIAL REVIEW

- 34 > Selected financial and statistical data
- 36 > Management's discussion & analysis of financial condition & results of operations
- 43 > Report on management's responsibility & report of independent accountants
- 44 > Consolidated balance sheets
- 45 > Consolidated statements of income
- 46 > Consolidated statements of changes in shareholders' equity
- 47 > Consolidated statements of cash flows
- 48 > Notes to consolidated financial statements

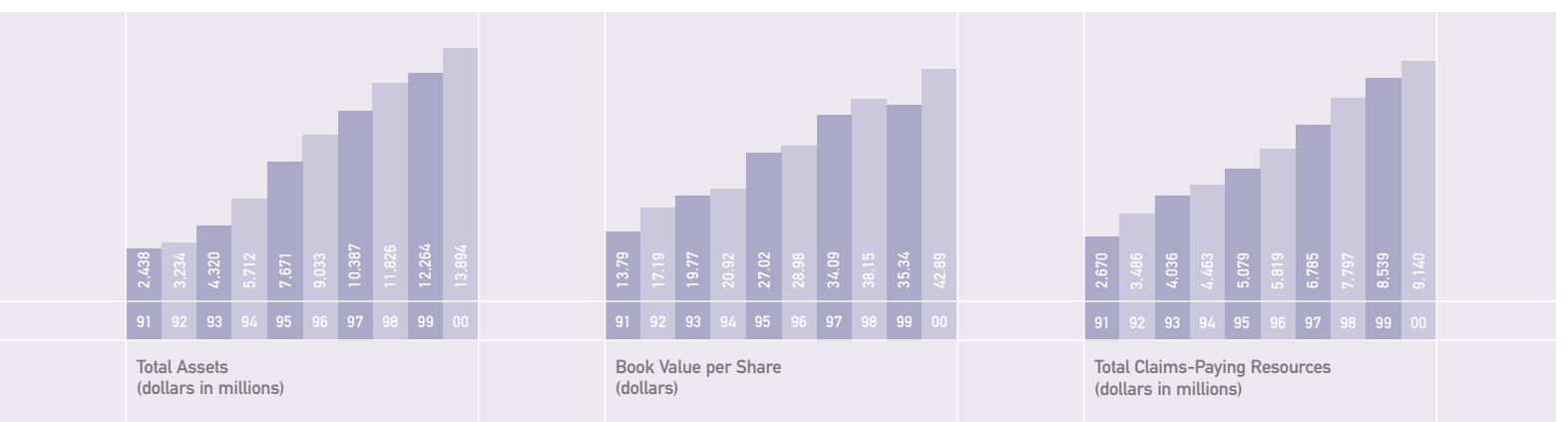
# SELECTED FINANCIAL AND STATISTICAL DATA

MBIA Inc. and Subsidiaries

Dollars in millions except per share amounts	2000	1999	1998
<b>GAAP Summary Income Statement Data:</b>			
Insurance:			
Gross premiums written	\$ 687	\$ 625	\$ 677
Premiums earned	446	443	425
Net investment income	394	359	332
Total insurance expenses	170	315	140
Insurance income	698	515	643
Investment management services income (loss)	56	41	29
Income before income taxes	715	388	565
<b>Net income</b>	<b>529</b>	<b>321</b>	<b>433</b>
<b>Net income per common share</b>			
Basic	5.37	3.22	4.37
Diluted	5.33	3.19	4.32
<b>GAAP Summary Balance Sheet Data:</b>			
Total investments	12,233	10,694	10,080
Total assets	13,894	12,264	11,826
Deferred premium revenue	2,398	2,311	2,251
Loss and LAE reserves	499	467	300
Municipal investment and repurchase agreements	4,789	4,513	3,485
Long-term debt	795	689	689
Shareholders' equity	4,223	3,513	3,792
Book value per share	42.89	35.34	38.15
Dividends declared per common share	0.820	0.805	0.790
<b>Statutory Summary Data:</b>			
Net income	544	522	510
Capital and surplus	2,382	2,413	2,290
Contingency reserve	2,123	1,739	1,451
Capital base	4,505	4,152	3,741
Unearned premium reserve	2,465	2,376	2,324
Loss and LAE reserves	209	204	188
Policyholders' reserves	7,179	6,732	6,253
Present value of installment premiums	886	732	644
Standby line of credit / stop-loss	1,075	1,075	900
<b>Total claims-paying resources</b>	<b>9,140</b>	<b>8,539</b>	<b>7,797</b>
<b>Financial Ratios:</b>			
GAAP			
Loss and LAE ratio	11.5%	44.8%	8.2%
Underwriting expense ratio	26.7	26.4	24.7
Combined ratio	38.2	71.2	32.9
Statutory			
Loss and LAE ratio	6.2	12.3	8.0
Underwriting expense ratio	22.1	23.6	16.8
Combined ratio	28.3	35.9	24.8
<b>Net debt service outstanding</b>	<b>\$680,878</b>	<b>\$635,883</b>	<b>\$595,895</b>
<b>Net par amount outstanding</b>	<b>\$418,443</b>	<b>\$384,459</b>	<b>\$359,472</b>



	1997	1996	1995	1994	1993	1992	1991
	\$ 654	\$ 535	\$ 406	\$ 405	\$ 504	\$ 377	\$ 269
	351	294	244	241	249	169	132
	302	265	233	204	189	155	132
	141	117	100	89	86	65	59
	530	453	385	360	353	260	207
	17	18	11	5	(1)	(1)	(2)
	525	448	375	347	339	249	190
	406	348	290	270	268	193	145
	4.18	3.68	3.21	3.00	3.00	2.24	1.89
	4.12	3.62	3.15	2.96	2.95	2.20	1.87
	8,908	8,008	6,937	5,069	3,735	2,701	1,961
	10,387	9,033	7,671	5,712	4,320	3,234	2,438
	2,090	1,854	1,662	1,538	1,413	1,202	1,019
	105	72	50	47	37	28	21
	3,151	3,259	2,642	1,526	493	—	—
	489	389	389	314	314	314	199
	3,362	2,761	2,497	1,881	1,761	1,533	1,063
	34.09	28.98	27.02	20.92	19.77	17.19	13.79
	0.770	0.725	0.655	0.570	0.470	0.380	0.310
	404	335	287	229	263	194	149
	1,952	1,661	1,469	1,250	1,124	1,044	647
	1,188	959	788	652	561	419	316
	3,140	2,620	2,257	1,902	1,685	1,463	963
	2,193	1,971	1,768	1,640	1,484	1,248	1,044
	15	10	7	22	8	14	12
	5,348	4,601	4,032	3,564	3,177	2,725	2,019
	537	443	347	249	234	211	151
	900	775	700	650	625	550	500
	6,785	5,819	5,079	4,463	4,036	3,486	2,670
	9.1%	6.9%	5.6%	3.9%	3.5%	3.6%	13.0%
	31.0	32.9	35.2	32.9	31.2	34.6	30.1
	40.1	39.8	40.8	36.8	34.7	38.2	43.1
	1.2	1.7	0.4	8.7	(3.3)	2.3	12.7
	21.2	22.8	27.2	28.3	22.0	20.7	20.4
	22.4	24.5	27.6	37.0	18.7	23.0	33.1
	\$513,736	\$434,417	\$359,175	\$315,340	\$273,630	\$225,220	\$184,604
	\$303,803	\$252,896	\$201,326	\$173,760	\$147,326	\$114,317	\$ 90,043



**OVERVIEW**

MBIA Inc. (MBIA or the company) is engaged in providing financial guarantee insurance, investment management services and municipal services to public finance clients and financial institutions on a global basis. The company turned in a solid year as we continue to focus on our Triple-A ratings, no-loss underwriting standards and building shareholder value. Our insurance operations showed strong growth in the structured finance and international businesses, which helped offset reduced activity in the domestic public finance market. Our investment management operations had a record year in assets under management and operating earnings. Looking forward, the company is well positioned to take advantage of very favorable growth prospects domestically and internationally across all of our business lines.

**FORWARD-LOOKING AND CAUTIONARY STATEMENTS**

Statements included in this annual report which are not historical or current facts are "forward-looking statements" made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1998. The words "believe," "anticipate," "project," "plan," "expect," "intend," "will likely result," or "will continue," and similar 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 to their respective dates. The following are some of the factors that could affect our financial performance or could cause actual results to differ materially from estimates contained in or underlying the company's forward-looking statements:

- fluctuations in the economic, credit or interest rate environment in the United States and abroad;
- the level of activity within the national and international credit markets;
- competitive conditions and pricing levels;
- legislative and regulatory developments;
- technological developments;
- changes in tax laws;
- the effects of mergers, acquisitions and divestitures; and,
- uncertainties that have not been identified at this time.

The company undertakes 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.

**NEW ACCOUNTING PRONOUNCEMENT**

In June 1998, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities" which is effective for the company as of January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge, and if so, the use and type of the hedge.

The company has entered into derivative transactions that do not qualify for the financial guarantee scope exception under SFAS 133 and, therefore, must be stated at fair value. The Insurance segment, which represents the majority of the company's derivative exposure and mark-to-market as of January 1, 2001, has insured derivatives primarily consisting of credit default swaps. The Investment Management Services segment has entered into primarily forward delivery agreements, interest rate and credit default swaps. The Corporate segment has entered into derivatives to hedge foreign exchange and interest rate risks related to the issuance of certain MBIA long-term debt issues.

Adoption of SFAS 133 on January 1, 2001 will result in cumulative after-tax reductions in net income of approximately \$12 million and other comprehensive income of approximately \$4 million. In addition, the company will increase its assets by approximately \$50 million and liabilities by approximately \$66 million on an after-tax basis.

**RESULTS OF OPERATIONS**

**SUMMARY**

The company uses various measures of profitability and intrinsic value, namely, "core earnings", "operating earnings", "adjusted gross premiums" and "adjusted book value" which are not in accordance with accounting principles generally accepted in the United States of America. We view these measures as the most meaningful measures of our performance and the intrinsic value of the company.

The following chart presents highlights of our consolidated financial results for 2000, 1999 and 1998.

	Percent Change				
	2000		1999		1998
	vs.	vs.	vs.	vs.	vs.
	2000	1999	1998	1999	1998
Net income (in millions):					
As reported	\$529	\$321	\$433	65%	(26)%
Excluding one-time charges	\$529	\$490	\$482	8%	2%
Per share data:*					
Net income:					
As reported	\$5.33	\$3.19	\$4.32	67%	(26)%
Excluding one-time charges	\$5.33	\$4.88	\$4.81	9%	1%
Operating earnings	\$5.12	\$4.72	\$4.58	8%	3%
Core earnings	\$4.91	\$4.34	\$4.19	13%	4%
Book value	\$42.89	\$35.34	\$38.15	21%	(7)%
Adjusted book value	\$60.40	\$52.51	\$53.28	15%	(1)%

\*All earnings per share calculations are diluted.

Core earnings, which exclude the effects of refundings and calls on our insured issues, realized gains and losses on our investment portfolio and one-time charges, provide the most meaningful measure of our underlying profit. Core earnings per share at \$4.91 for 2000 grew by 13% over 1999, following a 4% increase in 1999. The 2000 growth in core earnings per share was the result of a 42% increase in investment management services over 1999 and the elimination of losses in our municipal services segment. Insurance operations had growth in core earnings per share of 9% in 2000 compared with growth of 4% in 1999, although higher levels of reinsurance cessions continue to depress the growth in insurance operations income.

Our 2000 net income increased by 8%, excluding one-time charges in 1999, or by 9% on a per share basis. In 1999 net income increased by 2% over 1998, excluding the one-time charges, which resulted in a 1% per share increase. Compared with core earnings per share, these results were lower due to the low level of refunding activity in 2000, with premiums earned from refundings down 47% compared with 1999. Net income as reported increased by 65% in 2000 over 1999, compared with a 26% decrease in 1999 over 1998. These variances are due to the one-time charges incurred in 1999.

Operating earnings per share, which include refundings but exclude the impact of realized gains and losses and one-time charges, increased by 8% and 3% for 2000 and 1999, respectively. The increases in operating earnings per share were consistent throughout the year and highlight the predictable earnings pattern of the company.

Our book value at year-end 2000 was \$42.89 per share, up 21% from \$35.34 at year-end 1999. The increase was caused primarily by a 150% increase in the unrealized appreciation of our investment portfolio and an 18% increase in retained earnings, partially offset by the increase in treasury stock from share repurchases. A more appropriate measure of a financial guarantee company's intrinsic value is its adjusted book value. Adjusted book value is defined as book value plus the after-tax effects of net deferred premium revenue net of deferred acquisition costs, the present value of unrecorded future installment premiums, and the unrealized gains or losses on investment contract liabilities. Our adjusted book value per share was \$60.40 at year-end 2000, a 15% increase from year-end 1999 following a 1% decline in the preceding year. The 2000 increase reflects the same factors that impacted book value, but is reduced by lower growth in net deferred premium revenue and a reduction in unrealized gains on investment contract liabilities. The following table presents the components of our adjusted book value per share:

	Percent Change					
				2000	1999	
	2000	1999	1998	vs. 1999	vs. 1998	
Book value	\$42.89	\$35.34	\$38.15	21%	(7)%	
After-tax value of:						
Net deferred premium revenue, net of deferred acquisition costs	11.09	10.83	10.91	2%	(1)%	
Present value of future installment premiums*	5.85	4.78	4.21	22%	14%	
Unrealized gain on investment contract liabilities	0.57	1.56	0.01	(63)%	n/m	
Adjusted book value	\$60.40	\$52.51	\$53.28	15%	(1)%	

\* The discount rate used to present value future installment premiums was 9%.

#### FINANCIAL GUARANTEE INSURANCE

MBIA's production in terms of adjusted gross premiums (AGP), gross premiums written (GPW) and par insured for the last three years is presented in the following table:

	Percent Change					
				2000	1999	
	2000	1999	1998	vs. 1999	vs. 1998	
Premiums written (in millions):						
AGP	\$803	\$724	\$832	11%	(13)%	
GPW	\$687	\$625	\$677	10%	(8)%	
Par insured (in billions):	\$99	\$92	\$119	7%	(23)%	

In 2000, our top line results continue to reflect a more profitable relationship between AGP and par insured for the period. AGP is composed of our upfront premiums as well as the estimated present value of current and future premiums from installment-based insurance policies issued in the period. AGP was up 11%, while total par insured was up 7% which translates into more premiums for each dollar of par value insured. This continues to be indicative of price improvements across our whole book of business and is consistent with our strategy to improve profitability on the business written. Furthermore, we did not sacrifice credit quality to capture higher prices as 75% of the business written in 2000 was rated A or above. The average credit rating on new business in each of our insurance divisions continued to improve. As an industry leader, MBIA maintained a conservative 9% discount rate when calculating AGP, and still continued to lead the market in terms of AGP market share at 40% for 2000, 37% for 1999 and 46% for 1998.

We estimate the present value of our total future installment premium stream on outstanding policies to be \$885 million at year-end 2000, compared with \$732 million at year-end 1999 and \$644 million at year-end 1998. The 21% growth in 2000 is due to the increase in structured finance and international installment insured policies.

GPW, as reported in our financial statements, primarily reflects cash receipts and does not include the value of future premium receipts expected from installment policies originated in the period. GPW increased 10% in 2000 following an 8% decline in 1999 as both structured finance and international had significant growth over the prior year, partially offset by a modest decline in public finance.

PUBLIC FINANCE MARKET > Domestic new issue public finance market information and MBIA's par and premium writings in both the new issue and secondary domestic public finance markets are shown in the following table:

	Percent Change					
				2000	1999	
	2000	1999	1998	vs. 1999	vs. 1998	
Domestic Public Finance						
Total new issue market:*						
Par value (in billions)	\$168	\$199	\$257	(16)%	(22)%	
Insured penetration	47%	52%	55%			
MBIA market share	28%	26%	36%			
MBIA insured:						
Par insured (in billions)	\$33	\$36	\$60	(11)%	(39)%	
Premiums (in millions):						
AGP	\$361	\$378	\$435	(5)%	(13)%	
GPW	\$332	\$349	\$431	(5)%	(19)%	

\* Market data are reported on a sale date basis while MBIA's insured data are based on closing date information. Typically, there can be a one to four week delay between the sale date and closing date of an insured issue.

Although MBIA's public finance par insured for 2000 was down 11% compared with last year, the insured market was down 25%, indicative of our better than market performance. AGP declined 5% in 2000 compared with a 13% decrease in 1999. The greater decline in par insured compared with AGP once again exemplifies the positive effects of our pricing discipline. This relationship between par insured and AGP was exhibited in most sectors within the public finance business. Issues rated A and above remained over 80% for the third year in a row and the Standard & Poor's (S&P) capital charges, which are intended to represent the likelihood of default as well as the magnitude of losses under default, were the lowest they have been for many years. MBIA continued to lead the industry in terms of market share for both AGP and par insured, as we recorded a market share of 43% for AGP and 28% for par insured.

STRUCTURED FINANCE MARKET > The details regarding the asset-backed market and MBIA's par and premium writings in both the domestic new issue and secondary domestic structured finance markets are shown in the table below:

	Percent Change				
			2000	1999	1998
Domestic			vs.	vs.	
Structured Finance	2000	1999	1998	1999	1998
Total asset-backed market:*					
Par value (in billions)	\$230	\$191	\$167	20%	14%
MBIA insured:					
Par insured (in billions)	\$48	\$48	\$48	—	—
Premiums (in millions):					
AGP	\$278	\$229	\$208	22%	10%
GPW	\$188	\$159	\$134	18%	18%

\* Market data exclude mortgage-backed securities and private placements.

For the year AGP was up 22% after an increase of 10% in 1999. For 2000, par insured was \$48 billion, which is consistent with the last two years. Here too, the relationship of AGP to par insured was positive and is indicative of our pricing discipline. In 2000, 63% of the business written was rated A or better compared with 54% in 1999, with a substantial portion rated Triple-A before our guarantee. During 2000 and 1999 we saw a decline in mortgage related business, however, this was more than offset by an increase in other asset-backed business. Despite the fact that we use a higher discount rate (9%) than others in the industry, we continue to lead in terms of AGP market share at 37% for 2000, 32% for 1999, and 44% for 1998.

INTERNATIONAL MARKET > Our company's international business volume in the new issue and secondary markets for the last three years is illustrated as follows:

	Percent Change				
			2000	1999	1998
International	2000	1999	1998	1999	1998
Par insured (in billions)	\$18	\$8	\$11	144%	(29)%
Premiums (in millions):					
AGP	\$164	\$117	\$189	40%	(38)%
GPW	\$167	\$117	\$112	43%	4%

International business tends to be less predictable and results will vary from year to year. Par insured was up 144% in 2000 after being down 29% in 1999, while AGP was up 40% after being down 38% in 1999. Almost 90% of business written in 2000 was rated A or better, substantially more than the 60% rated A or better written in 1999. This accounts for the weakening of the AGP to par insured ratio. Our share of international AGP in 2000 was approximately 37%, despite using a higher discount rate (9%) than the rest of the industry.

On March 21, 2000 the company and Ambac Financial Group, Inc. (Ambac) announced the restructuring of the international joint marketing and reinsurance arrangements that have been in place since 1995 with the formation of the MBIA-AMBAC International joint venture. The company and Ambac will continue having certain reciprocal reinsurance arrangements for international business in 2001 but will market and originate international business independently. Additionally, during the third quarter of 2000 the company and Ambac dissolved a four-way joint venture in Japan.

REINSURANCE > Premiums ceded to reinsurers from all insurance operations were \$189 million, \$171 million, and \$156 million in 2000, 1999 and 1998, respectively. Cessions as a percentage of GPW increased to 28% in 2000 from 27% in 1999 and 23% in 1998. The increase in our cession rate since 1998 reflects increased cessions across all business lines, especially in public finance and international. Reinsurance is a cost effective capital substitute for MBIA. In addition to treaty reinsurance, the decision of whether to reinsure any particular policy on a facultative basis is based on portfolio, single risk and other factors related to that policy. These reinsurance activities continue to have a positive impact and are consistent with our emphasis on a strong balance sheet. In fact, the ratio of insured net debt service outstanding to our statutory capital base at year-end was 151:1, down from 153:1 at the end of 1999.

At year-end 2000, 98% of our outstanding ceded exposure is with reinsurers who are rated Double-A or higher by S&P, or Single-A or higher by A. M. Best Co. Although we remain liable for all reinsured risks, we are confident that we will recover the reinsured portion of any losses, should they occur.

PREMIUMS EARNED > The composition of MBIA's premiums earned in terms of its scheduled and refunded components is illustrated as follows:

	Percent Change				
				2000	1999
				vs.	vs.
In millions	2000	1999	1998	1999	1998
Premiums earned:					
Scheduled	\$412	\$379	\$357	9%	6%
Refunded	34	64	68	(47)%	(6)%
Total	\$446	\$443	\$425	1%	4%

Upfront premiums are recognized over the life of the bonds we insure. The extended premium recognition coupled with compounding investment income from investing our premiums and capital form a solid foundation for consistent revenue growth. In 2000, premiums earned from scheduled amortization increased by 9%, augmented by the disciplined pricing strategy established in early 1999. In 1999 scheduled premiums earned grew only 6% because of the increased usage of reinsurance.

Refunded premiums earned declined significantly in 2000 after a slight decrease in 1999, primarily reflecting the higher interest rate environment. When an MBIA-insured bond issue is refunded or retired early, the related deferred premium revenue is earned immediately. The amount of bond refundings and calls is influenced by a variety of factors such as prevailing interest rates, the coupon rates of the bond issue, the issuer's desire or ability to modify bond covenants and applicable regulations under the Internal Revenue Code.

**NET INVESTMENT INCOME** > Our insurance-related investment income (exclusive of net realized gains) was \$394 million, up from \$359 million in 1999 and \$332 million in 1998. These increases were primarily due to the growth of cash flow available for investment and a shift in the investment portfolio from tax-exempt to taxable investments. Our cash flows were generated from operations, the compounding of previously earned and reinvested investment income and the addition of funds from financing activities.

**ADVISORY FEES** > The company collects fee revenues in conjunction with certain insured transactions. In addition, the company earns advisory fees in connection with its administration of certain third-party-owned conduits. Fees are generally deferred and earned over the life of the related transactions. Certain fees, however, are earned in the quarter they are due and include administrative fees for transactions where the fee is collected on a periodic installment basis, and fees for transactions that terminate prior to the expected maturity date. Advisory fee revenues increased 3% in 2000. This modest increase was due to a 13% increase in the recognition of previously deferred fees partially offset by a reduction in non-deferrable fees.

**LOSSES AND LOSS ADJUSTMENT EXPENSES (LAE)** > We maintain a loss and LAE reserve based on our estimate of unidentified losses from our insured obligations. The total reserve is calculated by applying a risk factor based on a study of issuer defaults to net debt service written. To the extent that we identify a specific insured issue with respect to which we anticipate a loss, the present value of our expected payment,

net of expected reinsurance and recoveries, is allocated within the total loss and LAE reserve as a case-specific reserve.

We periodically evaluate our estimates for losses and LAE and any resulting adjustments are reflected in current earnings. We believe that our reserving methodology and the resulting reserves are adequate to cover the ultimate net cost of claims. However, the reserves are based on estimates, and there can be no assurance that any ultimate liability will not exceed such estimates.

In 2000 and 1999 we reviewed our loss reserving methodology. Each review included an analysis of loss-reserve factors based on the latest available industry data, an analysis of historical default and recovery experience for the relevant sectors of the fixed-income market, and consideration for the changing mix of our book of business. For the 2000 review, there were no adjustments to the company's loss and LAE reserves. For 1999, the review resulted in an increase in our company's current loss and LAE reserving factors and a one-time charge of \$153 million.

The following table shows the case-specific, reinsurance recoverable and unallocated components of our total loss and LAE reserves at the end of the last three years, as well as our loss provision for the last three years:

	Percent Change				
				2000	1999
				vs.	vs.
In millions	2000	1999	1998	1999	1998
Case-specific:					
Gross	\$240	\$235	\$219	2%	8%
Reinsurance recoverable on unpaid losses	31	31	30	—	3%
Net case reserves	\$209	\$204	\$189	2%	8%
Unallocated reserves	259	232	81	12%	185%
Net loss and LAE reserves	\$468	\$436	\$270	7%	62%
Provision	\$51	\$198	\$35	(74)%	472%

**POLICY ACQUISITION COSTS AND OPERATING EXPENSES** > Expenses related to the production of our insurance business (policy acquisition costs) are deferred and recognized over the period in which the related premiums are earned. Our company's policy acquisition costs, operating expenses and total insurance operating expenses, as well as related expense ratios, are shown below:

	Percent Change				
				2000	1999
				vs.	vs.
In millions	2000	1999	1998	1999	1998
Policy acquisition costs, net	\$ 36	\$ 37	\$ 35	(2)%	6%
Operating expenses	83	80	70	4%	14%
Total insurance operating expenses	\$119	\$117	\$105	2%	11%
Expense ratio:					
GAAP	26.7%	26.4%	24.7%		
Statutory	22.1%	23.6%	16.8%		

For 2000, policy acquisition costs, net of deferrals, decreased slightly to \$36 million, or 2% below 1999's \$37 million. This compares with \$35 million in 1998. The decrease in 2000 is attributable to the company's increased focus on expense management and overall effort to control expense growth. The ratio of policy acquisition costs, net of deferrals, to earned premiums has remained steady at 8% in 2000, 1999 and 1998.

Operating expenses increased by 4% in 2000 following an increase of 14% in 1999. The increase in 2000 was due to the company's increased building and equipment related costs associated with its expanded Armonk, New York headquarters. The increase in 1999 was the result of expanded international operations.

Financial guarantee insurance companies also calculate a statutory expense ratio (insurance operating expenses before deferrals as a function of net premiums written) as a measure of expense management. The decrease in our statutory expense ratio for 2000 reflects increased net premium written and attentive expense control. The increase in 1999 was related to a decline in premium volume for the year.

INSURANCE INCOME > In 2000 MBIA's insurance income increased to \$698 million or 36% from the \$515 million recorded in 1999. This increase reflects the one-time addition to the loss and LAE reserves mentioned previously, which reduced 1999's insurance income by \$153 million. Excluding this factor insurance income increased by 5%. In 1999 insurance income, adjusted for the one-time loss and LAE reserve addition, increased 4% over 1998, reflecting revenue growth in the structured finance and international businesses.

INVESTMENT MANAGEMENT SERVICES

In 1998, after our merger with 1838 Investment Advisors, Inc. (1838), we formed a holding company, MBIA Asset Management Corporation, to consolidate the resources and capabilities of our four investment management services. The success of our merger with 1838 showed immediate operating benefits and all of our investment management franchises experienced record performances in 1999. Continuing in this vein, operating income in 2000 increased by 38% and we ended the year with over \$36 billion in assets under management, a record, up 22% from a year ago. Gains in assets under management were across the board, with all units showing strong growth. The table below summarizes our consolidated investment management results over the last three years:

In millions	Percent Change				
			2000	1999	
	2000	1999	vs. 1999	vs. 1998	
Revenues	\$119	\$87	\$65	37%	33%
Expenses	63	46	36	36%	28%
Operating income	\$ 56	\$41	\$29	38%	40%

MBIA Asset Management Corporation is comprised of 1838, MBIA Municipal Investors Services Corporation (MBIA-MISC), MBIA Investment Management Corp. (IMC) and MBIA Capital Management Corp. (CMC). The following provides a summary of each of these businesses:

1838 > is a full-service asset management firm with a strong institutional focus. It manages over \$14 billion in equity, fixed-income and balanced portfolios for a client base comprised of municipalities, endowments, foundations, corporate employee benefit plans and high-net-worth individuals. In 2000, assets under management were up 27% compared with 57% growth in 1999.

MBIA-MISC > provides cash management, investment fund administration and fixed-rate investment placement services directly to local governments and school districts. In late 1996, MBIA-MISC acquired American Money Management Associates, Inc. (AMMA), which provides investment and treasury management consulting services for municipal and quasi-public-sector clients. In May 2000, MBIA-MISC merged with AMMA and combined the investment expertise into a consolidated investment management business. MBIA-MISC is a Securities and Exchange Commission (SEC)-registered investment adviser and at year-end had \$7.9 billion in assets under management, up 20% over 1999's \$6.6 billion.

IMC > provides state and local governments with tailored investment agreements for bond proceeds and other public funds, such as construction, loan origination, capitalized interest and debt service reserve funds. At year-end 2000, principal and accrued interest outstanding on investment and repurchase agreements was \$4.8 billion, compared with \$4.5 billion at year-end 1999. At amortized cost, the assets supporting IMC's investment agreements were \$4.9 billion and \$4.6 billion at year-end 2000 and 1999, respectively. These assets are comprised of high-quality securities with an average credit quality rating of Double-A.

CMC > is an SEC-registered investment adviser and National Association of Securities Dealers member firm. CMC specializes in fixed-income management for institutional funds and provides investment management services for IMC's investment agreements, MBIA-MISC's municipal cash management programs and MBIA's insurance related portfolios. At year-end 2000, CMC's third party assets under management increased by 27% over year-end 1999.

MUNICIPAL SERVICES

MBIA MuniServices Company (MBIA MuniServices) was established in 1996 as part of the company's strategy to broaden its product offerings to its core clients, leveraging its relationships and presence as a leading provider of products and services to the public sector. During 1999, the company completed a reorganization of the operations of two subsidiaries, Municipal Tax Bureau (MTB) and Municipal Resource Consultants (MRC).

With the reorganization complete, this business, operating as MBIA MuniServices, is now focused on delivering revenue enhancement services and products to public-sector clients nationwide, consisting of discovery, audit, collections/recovery, enforcement and information (data) services. The Municipal Services segment also includes Capital Asset Holdings GP, Inc. and certain affiliated entities (Capital Asset), a servicer of delinquent tax certificates.

In 2000, Municipal Services had operating income of \$600 thousand compared with a loss of \$12 million in 1999 and a loss of \$11 million in 1998. This turnaround was due to operating income from MRC and a breakeven result for Capital Asset. Both subsidiaries recorded operating losses in 1999 and 1998.

The company is a majority owner of Capital Asset which was in the business of acquiring and servicing tax liens. The company became a majority owner in December 1998 when it acquired the interest of the company's founder. In 1999, the company recorded a \$102 million pre-tax charge related to its investment in Capital Asset. MBIA Insurance Corp. continues to insure three securitizations of tax liens that were originated and continue to be serviced by Capital Asset. In the third quarter of 1999, Capital Asset engaged a specialty servicer of residential mortgages to help manage its business and operations and to assist in administering the portfolios supporting the securitizations. As of December 31, 2000, the aggregate gross insured amounts in connection with these securitizations was approximately \$318 million, and there can be no assurance that MBIA Corp. will not incur losses under such policies. In addition, Capital Asset and its subsidiaries have other contingent liabilities, including potential liabilities in connection with pending lawsuits, including class action lawsuits, in which it is involved. The claims giving rise to these lawsuits arose as a result of Capital Asset's business activities that took place primarily before the company obtained its majority ownership of Capital Asset. Capital Asset is defending these lawsuits.

During the second quarter of 1999, MBIA MuniServices Company sold its wholly owned subsidiary MBIA MuniFinancial, recognizing a \$3 million pre-tax loss on disposition, which is recorded in one-time charges. During 1998, the company recorded reorganization-related pre-tax charges totaling \$20 million consisting of the write-off of goodwill and other asset impairments, which is also recorded in one-time charges.

#### CORPORATE

**NET REALIZED GAINS** > In 2000, net realized gains increased 31% to \$33 million from \$25 million in 1999, which decreased 28% from \$35 million in 1998. These gains were generated as a result of ongoing management of the investment portfolio.

**INTEREST EXPENSE** > In 2000, 1999 and 1998, respectively, we incurred \$54 million, \$54 million and \$45 million of interest expense. The increase in 1999 in interest expense reflects our long-term debt financings of \$50 million in November 1998 and \$150 million in September 1998.

**OTHER EXPENSES** > Other expenses are composed primarily of general corporate expenses. In 2000, other expenses were \$19 million compared with \$21 million in 1999 and \$11 million in

1998. The 1999 increase was due primarily to legal expenses, expenses incurred for year 2000 computer contingencies and reorganization expenses.

**ONE-TIME CHARGES** > As discussed above, one-time charges for 1999 includes a \$102 million pre-tax charge which reflects the write-down of the carrying value of MBIA's investment in Capital Asset and the value of the loans provided by MBIA to Capital Asset. Also included in one-time charges for 1999 is the \$3 million pre-tax loss on the sale of MuniFinancial. In 1998, one-time charges includes \$55 million of pre-tax charges related to our mergers with CapMAC and 1838, and a \$20 million pre-tax charge related to the reorganization of our municipal services business.

#### TAXES

Our tax policy is to optimize our after-tax income by maintaining the appropriate mix of taxable and tax-exempt investments. However, our tax rate fluctuates from time-to-time as we manage our investment portfolio on a total return basis. Our effective tax rate for 2000 increased to 26.1% from 17.4% in 1999 and 23.4% in 1998. For 1999, our tax provision is net of the benefit resulting from the one-time charges discussed previously, as well as the benefit from the one-time increase to the loss reserve. Excluding these benefits our effective tax rate increased over 1999 as a result of a shift from tax-exempt investments to taxable investments to maximize long-term after-tax income.

#### CAPITAL RESOURCES

We carefully manage our capital resources to optimize our cost of capital while maintaining appropriate claims-paying resources to sustain our Triple-A claims-paying ratings. At year-end 2000, our total shareholders' equity was \$4.2 billion, with total long-term borrowings of \$795 million. We use debt financing to lower our overall cost of capital, thereby increasing our return on shareholders' equity. We maintain debt at levels we consider to be prudent based on our cash flow and total capital. The following table shows our long-term debt and the ratio we use to measure it:

	2000	1999	1998
Long-term debt (in millions)	\$795	\$689	\$689
Long-term debt to total capital	16%	16%	15%

In addition, MBIA Insurance Corporation (MBIA Corp.) has a \$900 million irrevocable standby line of credit facility with a group of major Triple-A rated banks to provide funds for the payment of claims in the event of severe losses. The agreement is for a seven-year term, which expires on October 31, 2007, and, subject to approval by the banks, may be renewed annually to extend the term to seven years beyond the renewal date. MBIA Corp. and its subsidiaries also maintain stop-loss reinsurance coverage of \$175 million in excess of incurred losses of \$762 million.

From time to time we access the capital markets to support the growth of our businesses. In December 2000 we issued 175 million Swiss Francs 10-year bonds (converted to approximately \$99 million) and \$100 million of 40-year notes.

In November 1998 we issued \$50 million of 40-year notes and in September 1998 we issued \$150 million of 30-year debentures.

As of year-end 2000, total claims-paying resources for MBIA Corp. stood at \$9.1 billion, a 7% increase over 1999.

#### LIQUIDITY

Cash flow needs at our parent company level are primarily for dividends to our shareholders and principal and interest payments on our debt. These requirements have historically been met by upstreaming dividend payments from MBIA Corp., which generates substantial cash flow from premium writings and investment income. In 2000, operating cash flow was \$640 million.

Under New York State insurance law, without prior approval of the superintendent of the state insurance department, financial guarantee insurance companies can pay dividends from earned surplus subject to retaining a minimum capital requirement. In our case, dividends in any 12-month period cannot be greater than 10% of policyholders' surplus. During 2000, MBIA Corp. declared and paid \$197 million of dividends and at year-end 2000 had dividend capacity in excess of \$40 million without special regulatory approval.

Our company has significant liquidity supporting its businesses. At year-end 2000, cash equivalents and short-term investments totaled \$471 million. Should significant cash flow reductions occur in any of our businesses, for any combination of reasons, we have additional alternatives for meeting ongoing cash requirements. They include, among other things, selling or pledging our fixed-income investments from our investment portfolio, tapping existing liquidity facilities and new borrowings.

Our company has substantial external borrowing capacity. We maintain two short-term bank lines totaling \$650 million with a group of worldwide banks. At year-end 2000, there were no balances outstanding under these lines.

Our investment portfolio provides a high degree of liquidity since it is comprised of readily marketable high-quality fixed-income securities and short-term investments. At year-end 2000, the fair value of our consolidated investment portfolio increased 14% to \$12.2 billion, as shown below:

In millions	Percent Change		
	2000	1999	2000 vs. 1999
<b>Insurance operations:</b>			
Amortized cost	\$ 7,108	\$ 6,427	11%
Unrealized gain(loss)	128	(223)	157%
Fair value	\$ 7,236	\$ 6,204	17%
<b>Municipal investment agreements:</b>			
Amortized cost	\$ 4,948	\$ 4,584	8%
Unrealized gain(loss)	49	(94)	152%
Fair value	\$ 4,997	\$ 4,490	11%
Total portfolio at fair value	\$12,233	\$10,694	14%

The growth of our insurance-related investments in 2000 was the result of positive cash flows. The fair value of investments related to our municipal investment agreement business increased 11% to \$5.0 billion at year-end 2000, reflecting positive operations.

Our investment portfolios are considered to be available-for-sale, and the differences between their fair value and amortized cost, net of applicable taxes, are reflected as an adjustment to shareholders' equity. Differences between fair value and amortized cost arise primarily as a result of changes in interest rates occurring after a fixed-income security is purchased, although other factors influence fair value, including credit-related actions, supply and demand forces and other market factors. The weighted-average credit quality of our fixed-income portfolios has been maintained at Double-A since our inception. Since we generally intend to hold most of our investments to maturity as part of our risk management strategy, we expect to realize a value substantially equal to amortized cost.

#### MARKET RISK

The fair values of some of our company's reported financial instruments are subject to change as a result of potential interest rate movements. This interest rate sensitivity can be estimated by projecting a hypothetical increase in interest rates of 1.0%. Based on asset maturities and interest rates as of year-end 2000, this hypothetical increase in interest rates would result in an after-tax decrease in net fair value of our company's financial instruments of \$241 million. This projected change in fair value is primarily a result of our company's "fixed-maturity securities" asset portfolio, which loses value with increases in interest rates. Since our company is able and primarily expects to hold the securities to maturity, it does not expect to recognize any adverse impact to income or cash flows under the above scenario.

Our company's investment portfolio holdings are primarily U.S. dollar-denominated fixed-income securities including municipal bonds, U.S. government bonds, mortgage-backed securities, collateralized mortgage obligations, corporate bonds and asset-backed securities. In modeling sensitivity to interest rates for the taxable securities, U.S. treasury rates are changed by 1.0%. Tax-exempt securities are subjected to a change in the Municipal Triple-A General Obligation curve that would be equivalent to a 1.0% taxable interest rate change based on year-end taxable/tax-exempt ratios. Simulation for tax-exempt securities is performed treating securities on a duration-to-worst-case basis. For the liabilities evaluation, where appropriate, the assumed discount rates used to estimate the present value of future cash flows are increased by 1.0%.

**Report on management's responsibility**

Management is responsible for the preparation, integrity and objectivity of the consolidated financial statements and other financial information presented in this annual report. The accompanying consolidated financial statements were prepared in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

MBIA's internal controls are designed to provide reasonable assurance as to the integrity and reliability of the financial statements and to adequately safeguard, verify and maintain accountability of assets. Such controls are based on established written policies and procedures and are implemented by trained, skilled personnel with an appropriate segregation of duties. These policies and procedures prescribe that MBIA and all its employees are to maintain the highest ethical standards and that its business practices are to be conducted in a manner that is above reproach.

PricewaterhouseCoopers LLP, independent accountants, is retained to audit the company's financial statements. Their accompanying report is based on audits conducted in accordance with auditing standards generally accepted in the United States of America, which include the consideration of the company's internal controls to establish a basis for reliance thereon in determining the nature, timing and extent of audit tests to be applied.

The board of directors exercises its responsibility for these financial statements through its Audit Committee, which consists entirely of independent non-management board members. The Audit Committee meets periodically with the independent accountants, both privately and with management present, to review accounting, auditing, internal controls and financial reporting matters.



Joseph W. Brown  
Chairman and Chief Executive Officer



Neil G. Budnick  
Chief Financial Officer

**Report of independent accountants**

To the Board of Directors and Shareholders of MBIA Inc.:

In our opinion, the accompanying consolidated balance sheets and the related consolidated statements of income and changes in shareholders' equity and cash flows present fairly, in all material respects, the financial position of MBIA Inc. and its subsidiaries at December 31, 2000 and 1999, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. These financial statements are the responsibility of the Company's management; our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.



New York, New York  
February 2, 2001

# CONSOLIDATED BALANCE SHEETS

MBIA Inc. and Subsidiaries

Dollars in thousands except per share amounts

	December 31, 2000	December 31, 1999
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale at fair value (amortized cost \$6,612,498 and \$6,006,506)	\$ 6,740,127	\$ 5,783,979
Short-term investments, at amortized cost (which approximates fair value)	376,604	274,022
Other investments	119,591	146,038
	7,236,322	6,204,039
Municipal investment agreement portfolio held as available-for-sale at fair value (amortized cost \$4,947,653 and \$4,583,920)	4,996,608	4,489,551
<b>Total investments</b>	<b>12,232,930</b>	<b>10,693,590</b>
Cash and cash equivalents	93,962	93,559
Securities borrowed or purchased under agreements to resell	314,624	261,171
Accrued investment income	152,043	135,344
Deferred acquisition costs	274,355	251,922
Prepaid reinsurance premiums	442,622	403,210
Reinsurance recoverable on unpaid losses	31,414	30,819
Goodwill (less accumulated amortization of \$67,472 and \$68,388)	104,322	110,023
Property and equipment, at cost (less accumulated depreciation of \$62,026 and \$50,469)	133,514	128,733
Receivable for investments sold	13,772	24,922
Other assets	100,780	130,606
<b>Total assets</b>	<b>\$13,894,338</b>	<b>\$12,263,899</b>
<b>Liabilities and Shareholders' Equity</b>		
Liabilities:		
Deferred premium revenue	\$ 2,397,578	\$ 2,310,758
Loss and loss adjustment expense reserves	499,279	467,279
Municipal investment agreements	3,821,652	3,483,911
Municipal repurchase agreements	967,803	1,028,921
Long-term debt	795,102	689,204
Short-term debt	144,243	68,751
Securities loaned or sold under agreements to repurchase	489,624	288,750
Deferred income taxes	252,463	32,805
Deferred fee revenue	32,694	36,536
Payable for investments purchased	7,899	102,666
Other liabilities	262,588	241,217
<b>Total liabilities</b>	<b>9,670,925</b>	<b>8,750,798</b>
Shareholders' Equity:		
Preferred stock, par value \$1 per share; authorized shares – 10,000,000; issued and outstanding – none	—	—
Common stock, par value \$1 per share; authorized shares – 200,000,000; issued shares – 100,773,295 and 100,072,846	100,773	100,073
Additional paid-in capital	1,219,587	1,191,108
Retained earnings	2,934,608	2,486,478
Accumulated other comprehensive income (loss), net of deferred income tax provision (benefit) of \$57,141 and \$(112,920)	85,707	(224,511)
Unallocated ESOP shares	(2,950)	(4,363)
Unearned compensation – restricted stock	(10,659)	(9,986)
Treasury stock – 2,209,358 shares in 2000 and 520,722 shares in 1999	(103,653)	(25,698)
<b>Total shareholders' equity</b>	<b>4,223,413</b>	<b>3,513,101</b>
<b>Total liabilities and shareholders' equity</b>	<b>\$13,894,338</b>	<b>\$12,263,899</b>

The accompanying notes are an integral part of the consolidated financial statements.

44

45

# CONSOLIDATED STATEMENTS OF INCOME

MBIA Inc. and Subsidiaries

Dollars in thousands except per share amounts	Years ended December 31		
	2000	1999	1998
<b>Insurance</b>			
Revenues:			
Gross premiums written	\$687,408	\$624,871	\$677,050
Ceded premiums	(189,316)	(171,256)	(156,064)
Net premiums written	498,092	453,615	520,986
Increase in deferred premium revenue	(51,739)	(10,819)	(96,436)
Premiums earned (net of ceded premiums of \$147,249, \$119,879 and \$92,802)	446,353	442,796	424,550
Net investment income	393,985	359,456	331,802
Advisory fees	28,284	27,486	26,130
Total insurance revenues	868,622	829,738	782,482
Expenses:			
Losses and loss adjustment	51,291	198,454	34,683
Policy acquisition costs, net	35,976	36,700	34,613
Operating	83,066	80,082	70,330
Total insurance expenses	170,333	315,236	139,626
Insurance income	698,289	514,502	642,856
<b>Investment management services</b>			
Revenues	118,859	86,600	65,032
Expenses	62,535	45,920	36,012
Investment management services income	56,324	40,680	29,020
<b>Municipal services</b>			
Revenues	37,089	22,923	29,392
Expenses	36,479	35,372	40,682
Municipal services income (loss)	610	(12,449)	(11,290)
<b>Corporate</b>			
Net realized gains	32,884	25,160	34,976
Interest expense	53,756	53,935	44,620
Other expenses	19,494	21,052	10,701
One-time charges	—	105,023	75,203
Corporate loss	(40,366)	(154,850)	(95,548)
Income before income taxes	714,857	387,883	565,038
Provision for income taxes	186,220	67,353	132,310
<b>Net income</b>	<b>\$528,637</b>	<b>\$320,530</b>	<b>\$432,728</b>
<b>Net income per common share:</b>			
Basic	\$5.37	\$3.22	\$4.37
Diluted	\$5.33	\$3.19	\$4.32
Weighted average number of common shares outstanding:			
Basic	98,476,442	99,590,870	98,978,641
Diluted	99,112,629	100,402,339	100,163,014

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY

MBIA Inc. and Subsidiaries

For the years ended December 31, 2000, 1999 and 1998

In thousands except per share amounts	Common Stock		Additional	Retained	Accumulated	Unallocated	Unearned	Treasury Stock		Total
	Shares	Amount	Paid-in Capital	Earnings	Other Comprehensive Income (Loss)	ESOP Shares	Compensation -Restricted Stock	Shares	Amount	Shareholders' Equity
<b>Balance, January 1, 1998</b>	<b>98,754</b>	<b>\$98,754</b>	<b>\$1,133,950</b>	<b>\$1,901,608</b>	<b>\$236,095</b>	<b>\$(4,083)</b>	<b>\$ (4,812)</b>	<b>—</b>	<b>—</b>	<b>\$3,361,512</b>
Comprehensive income:										
Net income	—	—	—	432,728	—	—	—	—	—	432,728
Other comprehensive income:										
Change in unrealized appreciation of investments net of change in deferred income taxes of \$(25,384)	—	—	—	—	48,042	—	—	—	—	48,042
Change in foreign currency translation	—	—	—	—	4,778	—	—	—	—	4,778
Other comprehensive income										52,820
Total comprehensive income										485,548
Treasury shares acquired	—	—	830	—	—	—	—	(22)	(830)	—
Unallocated ESOP shares	—	—	—	—	—	39	—	—	—	39
Unearned compensation – restricted stock	71	71	4,449	—	—	—	(1,995)	—	—	2,525
Exercise of stock options	745	745	29,963	—	—	—	—	—	—	30,708
Dividends (declared per common share \$0.790, paid per common share \$0.785)	—	—	—	(88,115)	—	—	—	—	—	(88,115)
<b>Balance, December 31, 1998</b>	<b>99,570</b>	<b>99,570</b>	<b>1,169,192</b>	<b>2,246,221</b>	<b>288,915</b>	<b>(4,044)</b>	<b>(6,807)</b>	<b>(22)</b>	<b>(830)</b>	<b>3,792,217</b>
Comprehensive income (loss):										
Net income	—	—	—	320,530	—	—	—	—	—	320,530
Other comprehensive income (loss):										
Change in unrealized appreciation of investments net of change in deferred income taxes of \$270,330	—	—	—	—	(502,996)	—	—	—	—	(502,996)
Change in foreign currency translation	—	—	—	—	(10,430)	—	—	—	—	(10,430)
Other comprehensive loss										(513,426)
Total comprehensive loss										(192,896)
Treasury shares acquired	—	—	—	—	—	—	—	(500)	(24,698)	(24,698)
Unallocated ESOP shares	—	—	391	—	—	(319)	—	13	462	534
Unearned compensation - restricted stock	99	99	4,883	—	—	—	(3,179)	(12)	(632)	1,171
Stock issued for acquisition	38	38	2,392	—	—	—	—	—	—	2,430
Exercise of stock options	366	366	14,250	—	—	—	—	—	—	14,616
Dividends (declared per common share \$0.805, paid per common share \$0.800)	—	—	—	(80,273)	—	—	—	—	—	(80,273)
<b>Balance, December 31, 1999</b>	<b>100,073</b>	<b>100,073</b>	<b>1,191,108</b>	<b>2,486,478</b>	<b>(224,511)</b>	<b>(4,363)</b>	<b>(9,986)</b>	<b>(521)</b>	<b>(25,698)</b>	<b>3,513,101</b>
Comprehensive income:										
Net income	—	—	—	528,637	—	—	—	—	—	528,637
Other comprehensive income (loss):										
Change in unrealized depreciation of investments net of change in deferred income taxes of \$(170,061)	—	—	—	—	316,010	—	—	—	—	316,010
Change in foreign currency translation	—	—	—	—	(5,792)	—	—	—	—	(5,792)
Other comprehensive income										310,218
Total comprehensive income										838,855
Treasury shares acquired	—	—	—	—	—	—	—	(1,680)	(77,717)	(77,955)
Unallocated ESOP shares	—	—	(43)	—	—	1,413	—	—	—	1,370
Unearned compensation - restricted stock	76	76	5,463	—	—	—	(673)	(8)	(238)	4,866
Exercise of stock options	624	624	23,059	—	—	—	—	—	—	23,683
Dividends (declared and paid per common share \$0.820)	—	—	—	(80,507)	—	—	—	—	—	(80,507)
<b>Balance, December 31, 2000</b>	<b>100,773</b>	<b>\$100,773</b>	<b>\$1,219,587</b>	<b>\$2,934,608</b>	<b>\$ 85,707</b>	<b>\$(2,950)</b>	<b>\$(10,659)</b>	<b>(2,209)</b>	<b>\$(103,653)</b>	<b>\$4,223,413</b>

**Disclosure of reclassification amount:**

	1998	1999	2000
Unrealized appreciation (depreciation) of investments arising during the period, net of taxes	\$78,142	\$(448,686)	\$317,092
Reclassification of adjustment, net of taxes	(30,100)	(54,310)	(1,082)
Net unrealized appreciation (depreciation), net of taxes	\$48,042	\$(502,996)	\$316,010

The accompanying notes are an integral part of the consolidated financial statements.

# CONSOLIDATED STATEMENTS OF CASH FLOWS

MBIA Inc. and Subsidiaries

Dollars in thousands	Years ended December 31		
	2000	1999	1998
<b>Cash flows from operating activities:</b>			
Net income	\$ 528,637	\$ 320,530	\$ 432,728
Adjustments to reconcile net income to net cash provided by operating activities:			
Increase in accrued investment income	(16,699)	(8,354)	(5,900)
Increase in deferred acquisition costs	(22,433)	(21,837)	(13,920)
Increase in prepaid reinsurance premiums	(39,412)	(50,511)	(63,191)
Increase in deferred premium revenue	91,151	61,329	159,627
Increase in loss and loss adjustment expense reserves, net	31,405	166,346	167,053
Depreciation	11,557	11,368	8,174
Amortization of goodwill	6,701	6,983	9,051
Amortization of bond discount, net	(31,379)	(25,338)	(22,699)
Net realized gains on sale of investments	(32,884)	(25,160)	(34,976)
Deferred income tax provision (benefit)	49,575	(40,505)	19,943
Other, net	64,124	48,400	26,155
Total adjustments to net income	111,706	122,721	249,317
Net cash provided by operating activities	640,343	443,251	682,045
<b>Cash flows from investing activities:</b>			
Purchase of fixed-maturity securities, net of payable for investments purchased	(7,417,426)	(6,778,179)	(2,479,245)
Sale of fixed-maturity securities, net of receivable for investments sold	6,543,563	6,144,650	1,102,460
Redemption of fixed-maturity securities, net of receivable for investments redeemed	282,540	288,710	745,515
(Purchase) sale of short-term investments	(93,552)	113,896	(97,177)
Purchase of other investments	(24,697)	(84,018)	(51,769)
Sale of other investments	43,235	33,402	1,785
Purchases for municipal investment agreement portfolio, net of payable for investments purchased	(5,418,222)	(2,672,918)	(2,456,265)
Sales from municipal investment agreement portfolio, net of receivable for investments sold	5,002,639	1,650,111	2,218,342
Capital expenditures, net of disposals	(16,363)	(58,650)	(22,909)
Other, net	8,297	11,146	(8,098)
Net cash used by investing activities	(1,089,986)	(1,351,850)	(1,047,361)
<b>Cash flows from financing activities:</b>			
Net proceeds (repayment) from issuance (retirement) of long-term debt	192,363	(3,750)	197,113
Net (repayment) proceeds from (retirement) issuance of short-term debt	(24,500)	65,001	(20,000)
Dividends paid	(80,708)	(79,764)	(85,667)
Purchase of treasury stock	(77,955)	(24,698)	—
Proceeds from issuance of municipal investment and repurchase agreements	2,674,379	2,787,906	2,352,908
Payments for drawdowns of municipal investment and repurchase agreements	(2,404,637)	(1,770,418)	(2,017,056)
Securities loaned or sold under agreements to repurchase, net	147,421	(7,492)	(98,229)
Exercise of stock options	23,683	14,616	30,708
Net cash provided by financing activities	450,046	981,401	359,777
Net increase (decrease) in cash and cash equivalents	403	72,802	(5,539)
Cash and cash equivalents – beginning of year	93,559	20,757	26,296
Cash and cash equivalents – end of year	\$ 93,962	\$ 93,559	\$ 20,757
<b>Supplemental cash flow disclosures:</b>			
Income taxes paid	\$ 96,395	\$ 136,877	\$ 108,297
Interest paid:			
Municipal investment and repurchase agreements	\$ 265,988	\$ 210,495	\$ 202,502
Long-term debt	53,234	53,466	39,499
Short-term debt	—	—	1,057

The accompanying notes are an integral part of the consolidated financial statements.

**NOTE 1: BUSINESS AND ORGANIZATION**

MBIA Inc. (MBIA or the company) was incorporated in Connecticut on November 12, 1986 as a licensed insurer and, through a series of transactions during December 1986, became the successor to the business of the Municipal Bond Insurance Association (the Association), a voluntary unincorporated association of insurers writing municipal bond and note insurance as agent for the member insurance companies. The company operates its insurance business primarily through its wholly owned subsidiary, MBIA Insurance Corporation (MBIA Corp.).

Effective December 31, 1989, the company acquired for \$288 million all of the outstanding stock of Bond Investors Group, Inc. (BIG), the parent company of Bond Investors Guaranty Insurance Company, which was subsequently renamed MBIA Insurance Corp. of Illinois (MBIA Illinois). The acquisition of BIG has been accounted for as a purchase, and the price was allocated to the net assets of the acquired company based on the fair value of such assets and liabilities at the date of acquisition.

In 1990, the company formed MBIA Assurance, S.A. (MBIA Assurance), a wholly owned French subsidiary, to write financial guarantee insurance in the international community. MBIA Assurance provides insurance for public infrastructure financings, structured finance transactions and certain obligations of financial institutions. The stock of MBIA Assurance was contributed to MBIA Corp. in 1991 and, pursuant to a reinsurance agreement with MBIA Corp., a portion of the risks insured by MBIA Assurance is reinsured by MBIA Corp.

At the end of 1990, MBIA Municipal Investors Services Corporation (MBIA-MISC) was formed as a wholly owned subsidiary of the company. MBIA-MISC operates cooperative cash management programs for school districts and municipalities.

In 1993, the company formed a wholly owned subsidiary, MBIA Investment Management Corp. (IMC). IMC provides guaranteed investment agreements to states, municipalities and municipal authorities that are guaranteed as to principal and interest.

In 1994, the company formed a wholly owned subsidiary, MBIA Securities Corp., which was subsequently renamed MBIA Capital Management Corp. (CMC). CMC provides fixed-income investment management services for the company and its affiliates and third party institutional clients.

In 1996, MBIA-MISC acquired American Money Management Associates, Inc. (AMMA), which provides investment and treasury management consulting services for municipal and quasi-public-sector clients. In May 2000, MBIA-MISC merged with AMMA and combined the investment expertise into a consolidated investment management business.

In 1996, the company formed a wholly owned subsidiary, Strategic Services, Inc., which was subsequently renamed MBIA MuniServices Company (MBIA MuniServices). Also in 1996, MBIA MuniServices acquired an interest in Capital Asset Holdings, Inc. (Capital Asset), a limited partnership that buys, services and manages delinquent municipal tax liens. In December 1998, MBIA MuniServices acquired Capital Asset's founder's equity interest. In January 1997, MBIA MuniServices acquired a 95 percent interest in the Municipal Tax Bureau (MTB) of Philadelphia, a provider of tax compliance services to state and local governments. In July 1997, MBIA MuniServices acquired MuniFinancial, a public finance consulting firm specializing in municipal debt administration. In September 1999, MBIA MuniServices sold MuniFinancial. In January 1998, Municipal Resource Consultants (MRC), a revenue audit and information services firm, was acquired.

On February 17, 1998, MBIA consummated a merger with CapMAC Holdings Inc. (CapMAC). CapMAC operated its insurance

business primarily through its wholly owned subsidiary, Capital Markets Assurance Corporation (CMAC). On July 31, 1998, MBIA completed a merger of its investment management business with 1838 Investment Advisors, Inc. (1838). Effective December 31, 2000, 1838 was converted into a limited liability corporation. See Note 3 for details on these two mergers.

In June 1998, MBIA Asset Management Corporation (MBIA-AMC) was formed as a wholly owned subsidiary of the company to consolidate the resources and capabilities of the company's investment management services. In July 1998, the company contributed the common stock of MBIA-MISC, IMC, CMC and 1838 to MBIA-AMC. Effective December 31, 2000, MBIA-AMC was converted into a limited liability corporation.

TRS Funding Corporation (TRS) was formed to provide clients with innovative structured financing solutions.

**NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

The consolidated financial statements have been prepared on the basis of generally accepted accounting principles (GAAP). The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant accounting policies are as follows:

**CONSOLIDATION** > The consolidated financial statements include the accounts of the company, its significant subsidiaries and entities under its control. All significant intercompany balances have been eliminated. Certain amounts have been reclassified in prior years' financial statements to conform to the current presentation.

**INVESTMENTS** > The company's entire investment portfolio is considered available-for-sale and is reported in the financial statements at fair value, with unrealized gains and losses, net of deferred taxes, reflected as a separate component of shareholders' equity.

Bond discounts and premiums are amortized using the effective-yield method over the remaining term of the securities. For pre-refunded bonds, the remaining term is determined based on the contractual refunding date. Short-term investments are carried at amortized cost, which approximates fair value, and include all fixed-maturity securities—other than those held in the municipal investment agreement portfolio—with a remaining effective term to maturity of less than one year. Investment income is recorded as earned. Realized gains or losses on the sale of investments are determined by specific identification and are included as a separate component of revenues.

Investment income from the municipal investment agreement portfolio is recorded as a component of investment management services revenues. Municipal investment agreement portfolio accrued interest income, receivables for investments sold and payables for investments purchased are included in the respective consolidated accounts.

Other investments include the company's interest in equity-oriented and equity-method investments. The company records its share of the unrealized gains and losses on equity-oriented investments, net of applicable deferred income taxes, as a separate component of shareholders' equity.

**CASH AND CASH EQUIVALENTS** > Cash and cash equivalents include cash on hand and demand deposits with banks.

SECURITIES BORROWED OR PURCHASED UNDER AGREEMENTS TO RESELL AND SECURITIES LOANED OR SOLD UNDER AGREEMENTS TO REPURCHASE > Securities borrowed or purchased under agreements to resell and securities loaned or sold under agreements to repurchase are accounted for as collateralized transactions and are recorded at principal or contract value. It is the company's policy to take possession of securities borrowed or purchased under agreements to resell. These contracts are primarily entered into to obtain securities that are repledged as part of MBIA's collateralized municipal investment and repurchase agreement activity and are only transacted with high-quality dealer firms.

The company minimizes the credit risk that counterparties to transactions might be unable to fulfill their contractual obligations by monitoring customer credit exposure and collateral value and requiring additional collateral to be deposited with the company when deemed necessary.

POLICY ACQUISITION COSTS > Policy acquisition costs include only those expenses that relate primarily to, and vary with, premium production. For business produced directly by MBIA Corp., such costs include 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 commission income on premiums ceded to reinsurers. Policy acquisition costs are deferred and amortized over the period in which the related premiums are earned.

PREMIUM REVENUE RECOGNITION > Upfront premiums are earned pro rata over the period of risk. Premiums are allocated to each maturity based on par amount and are earned on a straight-line basis over the term of each maturity. Installment premiums are earned over each installment period—generally one year or less. When an insured issue is retired early, is called by the issuer, or is in substance paid in advance through a refunding accomplished by placing U.S. Government securities in escrow, the remaining deferred premium revenue is earned at that time, since there is no longer risk to the company. Accordingly, deferred premium revenue represents the portion of premiums written that is applicable to the unexpired risk of insured bonds and notes.

ADVISORY FEE REVENUE RECOGNITION > The company collects advisory fees for services rendered in connection with advising clients as to the most appropriate structure to use for a given insured transaction. In addition, the company earns advisory fees in connection with its administration of certain third-party-owned conduits. Most fees are deferred and earned pro-rata over the life of the underlying transactions. Certain fees, however, are earned in the quarter they are collected and include administrative fees for transactions where the fee is collected on a periodic installment basis and fees for transactions which terminate prior to the expected maturity date.

GOODWILL > Goodwill represents the excess of the cost of acquisitions over the tangible net assets acquired. Goodwill attributed to the acquisition of MBIA Corp. is amortized by the straight-line method over 25 years. Goodwill attributed to the acquisition of MBIA Illinois is amortized according to the recognition of future profits from its deferred premium revenue and installment premiums, except for a minor portion attributed to state licenses, which is amortized by the straight-line method over 25 years. Goodwill attributed to the acquisition of all other subsidiaries is amortized by the straight-line method over 15 years.

PROPERTY AND EQUIPMENT > Property and equipment consist of the company's headquarters, furniture, fixtures and equipment, which are recorded at cost and are depreciated using the straight-line method over their estimated service lives ranging from 3 to 31 years. Maintenance and repairs are charged to expense as incurred.

LOSSES AND LOSS ADJUSTMENT EXPENSES > Loss and loss adjustment expenses (LAE) reserves are established in an amount equal to the company's estimate of identified or case basis reserves and unallocated losses, including costs of settlement, on the obligations it has insured.

Case basis reserves are established when specific insured issues are identified as currently or likely to be in default. Such a reserve is based on the present value of the expected loss and LAE payments, net of recoveries under salvage and subrogation rights, based on a discounted rate of 6.12%. The total reserve is calculated by applying a loss factor, determined based on an independent rating agency study of issuer defaults, to net debt service written. When a case basis reserve is recorded, a corresponding reduction is made to the unallocated reserve.

Management of the company periodically reevaluates its estimates for losses and LAE, and any resulting adjustments are reflected in current earnings. Management believes that the reserves are adequate to cover the ultimate net cost of claims; however, because the reserves are based on estimates, there can be no assurance that the ultimate liability will not exceed such estimates.

In 2000 and 1999 the company reviewed its loss reserving methodology. The reviews included an analysis of loss reserve factors based on the latest available industry data. They included the analysis of historical default and recovery experience for the relevant sectors of the fixed-income market. Also factored in was the changing mix of our book of business. The 1999 review resulted in an increase in the company's current loss reserving factors.

MUNICIPAL INVESTMENT AGREEMENTS AND MUNICIPAL REPURCHASE AGREEMENTS > Municipal investment agreements and municipal repurchase agreements are recorded as liabilities on the balance sheet at the time such agreements are executed. The liabilities for municipal investment and repurchase agreements are carried at the face value of the agreement plus accrued interest, whereas the related assets are recorded at fair value. Investment management services revenues include investment income on the assets underlying the municipal investment agreement portfolio, net of interest expense at rates specified in the agreements, computed daily based upon the outstanding balances.

DERIVATIVES > The company's policies with respect to the use of derivative financial instruments include limitations with respect to the amount, type and concentration of such instruments. The company uses interest rate swaps and foreign currency swaps for hedging purposes as part of its overall risk management strategy. Currently, gains and losses on the derivative financial instruments that qualify as accounting hedges of existing assets and liabilities are included with the carrying amounts and amortized over the remaining lives of the assets and liabilities as an adjustment to interest income or expense. When a hedged asset is sold or liability extinguished, the unamortized gain or loss on the related hedge is recognized in income. Gains and losses on derivative financial instruments that do not qualify as accounting hedges are recognized in income when realized.

Effective January 1, 2001 the company will adopt Statement of Financial Accounting Standards (SFAS) 133, "Accounting for Derivative Instruments and Hedging Activities." See footnote 4 for an explanation of the impact the adoption of this statement will have on the company's financial statements.

INVESTMENT MANAGEMENT SERVICES OPERATIONS > Investment management services results are comprised of the net investment income, operating revenues and expenses of MBIA-MISC, IMC, CMC and 1838.

MUNICIPAL SERVICES OPERATIONS > Municipal services results are comprised of the net investment income, operating revenues and expenses of MTB, MRC and Capital Asset, and for 1999 and 1998 only, MuniFinancial.

CORPORATE > Corporate consists of net realized gains, interest expenses, general corporate overhead expenses and one-time charges.

INCOME TAXES > Deferred income taxes are provided with respect to the temporary differences between the tax bases of assets and liabilities and the reported amounts in the financial statements that will result in deductible or taxable amounts in future years when the reported amount of the asset or liability is recovered or settled. Such temporary differences relate principally to premium revenue recognition, deferred acquisition costs, unrealized appreciation or depreciation of investments and the contingency reserve.

The Internal Revenue Code permits companies writing financial guarantee insurance to deduct from taxable income amounts added to the statutory contingency reserve, subject to certain limitations. The tax benefits obtained from such deductions must be invested in non-interest-bearing U.S. Government tax and loss bonds. The company records purchases of tax and loss bonds as payments of federal income taxes. The amounts deducted must be restored to taxable income when the contingency reserve is released, at which time the company may present the tax and loss bonds for redemption to satisfy the additional tax liability.

FOREIGN CURRENCY TRANSLATION > Assets and liabilities denominated in foreign currencies are translated at year-end exchange rates. Operating results are translated at average rates of exchange prevailing during the year. Unrealized gains or losses resulting from translation are included as a separate component of shareholders' equity. Gains and losses resulting from transactions in foreign currencies are recorded in current income.

NET INCOME PER COMMON SHARE > Basic earnings per share are based on the weighted average number of common shares outstanding during the year, whereas diluted earnings per share also gives effect to all dilutive potential common shares that were outstanding during the period. Dilutive potential common shares include stock options and other items that could potentially result in the issuance of common stock.

#### NOTE 3: MERGERS WITH CAPMAC AND 1838

On February 17, 1998, the company consummated a merger with CapMAC by exchanging 8.1 million shares of its common stock for all of the common stock of CapMAC. Each share of CapMAC was exchanged for 0.4675 of one share of MBIA Inc. common stock. On July 31, 1998, the company completed a merger of its investment management business with 1838 through the

issuance of 1.1 million shares of common stock. Each share of 1838 was exchanged for 2.134 shares of MBIA Inc.

The mergers constituted tax-free reorganizations and have been accounted for as "pooling of interests" under Accounting Principles Board (APB) Opinion No. 16. Accordingly, all prior period consolidated financial statements presented have been restated to include the combined results of operations, financial position and cash flows of CapMAC and 1838 as though they had always been a part of MBIA Inc.

There were no material transactions between MBIA Inc., CapMAC and/or 1838 prior to the combinations, and immaterial adjustments were recorded to conform CapMAC's and 1838's accounting policies. Certain reclassifications were made to the CapMAC and 1838 financial statements to conform to the company's presentations.

Effective April 1, 1998, CMAC ceded its portfolio of net insured obligations in exchange for cash and investments equal to its statutory unearned premium and contingency reserves of \$176 million to MBIA Corp. Subsequent to this cession, the company contributed the common stock of CMAC to MBIA Corp.

#### NOTE 4: RECENT ACCOUNTING PRONOUNCEMENT

In June 1998, the Financial Accounting Standards Board (FASB) issued SFAS 133, "Accounting for Derivative Instruments and Hedging Activities" which is effective for the company as of January 1, 2001. SFAS 133 requires that all derivative instruments be recorded on the balance sheet at their fair value. Changes in the fair value of derivatives will be recorded each period in current earnings or other comprehensive income, depending on whether a derivative is designated as part of a hedge, and if so, the use and type of the hedge.

The company has entered into derivative transactions that do not qualify for the financial guarantee scope exception under SFAS 133 and, therefore, must be stated at fair value. The Insurance segment, which represents the majority of the company's derivative exposure and mark-to-market as of January 1, 2001, has insured derivatives primarily consisting of credit default swaps. The Investment Management Services segment has entered into primarily forward delivery agreements, interest rate and credit default swaps. The Corporate segment has entered into derivatives to hedge foreign exchange and interest rate risks related to the issuance of certain MBIA long-term debt issues.

Adoption of SFAS 133 on January 1, 2001 will result in cumulative after-tax reductions in net income of approximately \$12 million and other comprehensive income of approximately \$4 million. In addition, the company will increase its assets by approximately \$50 million and liabilities by approximately \$66 million on an after-tax basis.

#### NOTE 5: ASSET IMPAIRMENT

Early in 1999, the company concluded that its investment in Capital Asset was not consistent with its strategic objectives, and took steps to restructure it for divestiture. The company was unsuccessful in its attempts to sell Capital Asset and in the second quarter of 1999, the company ceased these efforts and decided to limit the activities of Capital Asset primarily to the servicing of the portfolios then being serviced by Capital Asset. In the second quarter of 1999, the company completed a valuation of Capital Asset's tax lien portfolio, and as a result the company determined that it was necessary to write down its investment in Capital Asset by \$102 million. A one-time charge for that amount was recorded in the consolidated statement of income during the second quarter of 1999.

**NOTE 6: SECURITIZATION OF FINANCIAL ASSETS**

In September 1999, Capital Asset sold substantially all of its remaining tax lien portfolio through a securitization. This securitization was the third in a series of such securitizations. Proceeds from this transaction were used to extinguish an existing warehouse financing facility that had been guaranteed by the company. The notes issued in connection with the securitizations have been insured by MBIA Corp. In connection therewith, the company recorded a servicing liability which represents the fair value of such liability based upon the present value of projected servicing costs in excess of servicing revenues, discounted at 11%. The servicing liability will be amortized in proportion to and over the period of the estimated net servicing loss, and accordingly, \$776 thousand was amortized during the year ended December 31, 2000. The balance of the servicing liability as of December 31, 2000 is \$10.9 million. During the fourth quarter of 1999, a specialty servicing concern was engaged to oversee the management of Capital Asset, whose activities now primarily consist of the administering and servicing of the securitizations and other delinquent tax liens and related assets.

**NOTE 7: STATUTORY ACCOUNTING PRACTICES**

The financial statements have been prepared on the basis of GAAP, which differs in certain respects from the statutory accounting practices prescribed or permitted by the insurance regulatory authorities. Statutory accounting practices differ from GAAP in the following respects:

- upfront premiums are earned only when the related risk has expired rather than over the period of the risk;
- acquisition costs are charged to operations as incurred rather than deferred and amortized as the related premiums are earned;
- a contingency reserve is computed on the basis of statutory requirements, and reserves for losses and LAE are established at present value for specific insured issues that are identified as currently or likely to be in default. Under GAAP, reserves are established based on the company's reasonable estimate of the identified and unallocated losses and LAE on the insured obligations it has written;
- federal income taxes are only provided on taxable income for which income taxes are currently payable, while under GAAP, deferred income taxes are provided with respect to temporary differences;
- fixed-maturity securities are reported at amortized cost rather than fair value;
- tax and loss bonds purchased are reflected as admitted assets as well as payments of income taxes; and
- certain assets designated as "non-admitted assets" are charged directly against surplus but are reflected as assets under GAAP.

Consolidated net income of MBIA Corp. determined in accordance with statutory accounting practices for the years ended December 31, 2000, 1999 and 1998 was \$543.9 million, \$521.8 million and \$509.9 million, respectively.

The following is a reconciliation of consolidated shareholders' equity presented on a GAAP basis for the company and its consolidated subsidiaries to statutory capital and surplus for MBIA Corp. and its subsidiaries:

In thousands	As of December 31	
	2000	1999
Company's GAAP shareholders' equity	\$4,223,413	\$3,513,101
Contributions to MBIA Corp.	534,776	508,719
Premium revenue recognition	(535,920)	(491,766)
Deferral of acquisition costs	(274,355)	(251,922)
Unrealized (gains) losses	(163,331)	322,739
Contingency reserve	(2,123,403)	(1,738,730)
Loss and LAE reserves	258,706	232,004
Deferred income taxes	266,593	44,917
Tax and loss bonds	202,195	219,195
Goodwill	(81,196)	(86,075)
Other	74,191	141,185
Statutory capital and surplus	\$2,381,669	\$2,413,367

In 1998, The National Association of Insurance Commissioners (NAIC) adopted the Codification of Statutory Accounting Principles guidance, which replaces the current Accounting Practices and Procedures manuals as the NAIC's primary guidance on statutory accounting effective as of January 1, 2001. The Codification provides guidance for areas where statutory accounting has been silent and changes current statutory accounting in some areas; e.g. deferred income taxes are recorded.

The New York State Insurance Department has adopted the Codification guidance, effective January 1, 2001. The New York State Insurance Department has not adopted the Codification rules on certain accounting issues, e.g. deferred taxes and goodwill. The effect of adoption on MBIA Corp's statutory surplus is expected to be immaterial to MBIA Corp.

**NOTE 8: PREMIUMS EARNED FROM REFUNDED AND CALLED BONDS**

Premiums earned include \$34.0 million, \$64.2 million and \$68.4 million for 2000, 1999 and 1998, respectively, related to refunded and called bonds.

**NOTE 9: INVESTMENTS**

The company's investment objective is to optimize long-term, after-tax returns while emphasizing the preservation of capital through maintenance of high-quality investments with adequate liquidity. The company's investment policies limit the amount of credit exposure to any one issuer. The fixed-maturity portfolio is comprised of high-quality (average rating Double-A) taxable and tax-exempt investments of diversified maturities.

The following tables set forth the amortized cost and fair value of the fixed-maturities and short-term investments included in the consolidated investment portfolio of the company, as of December 31, 2000 and 1999.

In thousands	Amortized Cost	Gross		Fair Value
		Unrealized Gains	Unrealized Losses	
December 31, 2000				
Taxable bonds:				
United States				
Treasury and government agency	\$ 678,619	\$ 35,292	\$ (1,657)	\$ 712,254
Corporate and other obligations	5,546,960	73,564	(68,706)	5,551,818
Mortgage-backed	1,956,200	26,857	(4,396)	1,978,661
Tax-exempt bonds:				
State and municipal obligations	3,754,976	127,916	(12,286)	3,870,606
Total	\$11,936,755	\$263,629	\$ (87,045)	\$12,113,339
December 31, 1999				
Taxable bonds:				
United States				
Treasury and government agency	\$ 559,204	\$ 8,679	\$ (13,056)	\$554,827
Corporate and other obligations	5,000,814	6,843	(171,015)	4,836,642
Mortgage-backed	1,662,636	4,441	(28,079)	1,638,998
Tax-exempt bonds:				
State and municipal obligations	3,641,794	50,334	(175,043)	3,517,085
Total	\$10,864,448	\$ 70,297	\$ (387,193)	\$10,547,552

Fixed-maturity investments carried at fair value of \$11.7 million and \$11.6 million as of December 31, 2000 and 1999, respectively, were on deposit with various regulatory authorities to comply with insurance laws.

A portion of the obligations under municipal investment and repurchase agreements require the company to pledge securities as collateral. As of December 31, 2000 and 1999, the fair value of securities pledged as collateral with respect to these obligations approximated \$2.3 billion and \$1.9 billion, respectively.

The following table sets forth the distribution by expected maturity of the fixed-maturities and short-term investments at amortized cost and fair value at December 31, 2000. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations.

In thousands	Amortized Cost	Fair Value
Within 1 year	\$ 588,128	\$ 588,128
Beyond 1 yr but within 5 yrs	2,623,722	2,642,267
Beyond 5 yrs but within 10 yrs	1,630,315	1,643,653
Beyond 10 yrs but within 15 yrs	1,432,345	1,483,471
Beyond 15 yrs but within 20 yrs	1,544,195	1,598,390
Beyond 20 yrs	2,161,850	2,178,769
	9,980,555	10,134,678
Mortgage-backed	1,956,200	1,978,661
Total fixed-maturities and short-term investments	\$11,936,755	\$12,113,339

NOTE 10: INVESTMENT INCOME AND GAINS AND LOSSES

Investment income consists of:

In thousands	Years ended December 31		
	2000	1999	1998
Fixed-maturities	\$389,159	\$358,127	\$331,857
Short-term investments	10,473	7,672	5,692
Other investments	1,122	24	16
Gross investment income	400,754	365,823	337,565
Investment expenses	6,769	6,367	5,763
Net investment income	393,985	359,456	331,802
Net realized gains (losses):			
Fixed-maturities			
Gains	58,349	62,300	50,438
Losses	(34,166)	(28,360)	(7,197)
Net	24,183	33,940	43,241
Other investments			
Gains	12,110	2,270	901
Losses	(3,409)	(11,050)	(9,166)
Net	8,701	(8,780)	(8,265)
Total net realized gains	32,884	25,160	34,976
Total investment income	\$426,869	\$384,616	\$366,778

Net unrealized gains (losses) consist of:

In thousands	As of December 31	
	2000	1999
Fixed-maturities:		
Gains	\$263,629	\$ 70,297
Losses	(87,045)	(387,193)
Net	176,584	(316,896)
Other investments:		
Gains	279	828
Losses	(13,531)	(6,671)
Net	(13,252)	(5,843)
Total	163,332	(322,739)
Deferred income tax (benefit)	57,141	(112,920)
Unrealized gains (losses), net	\$106,191	\$(209,819)

The deferred income tax (benefit) relates primarily to unrealized gains and losses on the company's fixed-maturity investments, which are reflected in shareholders' equity.

The change in net unrealized gains (losses) consists of:

In thousands	Years ended December 31		
	2000	1999	1998
Fixed-maturities	\$493,480	\$(772,041)	\$80,903
Other investments	(7,409)	(1,285)	(7,477)
Total	486,071	(773,326)	73,426
Deferred income tax (benefit)	170,061	(270,330)	25,384
Unrealized gains (losses), net	\$316,010	\$(502,996)	\$48,042

NOTE 11: INCOME TAXES

The company files a consolidated tax return that includes all of its U.S. subsidiaries. The provision for income taxes is composed of:

In thousands	Years ended December 31		
	2000	1999	1998
Current	\$136,645	\$107,858	\$112,367
Deferred	49,575	(40,505)	19,943
Total	\$186,220	\$ 67,353	\$132,310

The provision for income taxes gives effect to permanent differences between financial and taxable income. Accordingly, the company's effective income tax rate differs from the statutory rate on ordinary income. The reasons for the company's lower effective tax rates are as follows:

	Years ended December 31		
	2000	1999	1998
Income taxes computed on pre-tax financial income at statutory rates	35.0%	35.0%	35.0%
Increase (reduction) in taxes resulting from:			
Tax-exempt interest	(8.6)	(16.1)	(10.8)
Amortization of goodwill	0.3	0.5	0.4
Other	(0.6)	(2.0)	(1.2)
Provision for income taxes	26.1%	17.4%	23.4%

The company recognizes deferred tax assets and liabilities for the expected future tax consequences of events that have been included in the financial statements or tax returns. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax bases of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. The effect on tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

The tax effects of temporary differences that give rise to deferred tax assets and liabilities at December 31, 2000 and 1999 are presented below:

In thousands	2000	1999
Deferred tax assets:		
Tax and loss bonds	\$199,607	\$206,999
Unrealized losses	—	112,920
Alternative minimum tax credit carryforward	11,381	65,404
Loss and loss adjustment expense reserves	88,396	79,051
Other	66,611	64,456
Total gross deferred tax assets	365,995	528,830
Deferred tax liabilities:		
Contingency reserve	317,631	330,125
Deferred premium revenue	113,524	110,785
Deferred acquisition costs	96,024	88,173
Unrealized gains	57,141	—
Contingent commissions	620	408
Other	33,518	32,144
Total gross deferred tax liabilities	618,458	561,635
Net deferred tax liability	\$252,463	\$ 32,805

The company believes that a valuation allowance is unnecessary in connection with the deferred tax assets.

#### NOTE 12: NET INCOME PER COMMON SHARE

The following table provides a reconciliation of the denominator of the basic earnings per share (EPS) computation to the denominator of the diluted EPS computation:

	Years ended December 31		
	2000	1999	1998
Net income (in thousands)	\$528,637	\$320,530	\$432,728
Basic weighted average shares	98,476,442	99,590,870	98,978,641
Stock options	543,437	674,295	1,042,537
Unallocated ESOP shares	92,750	137,174	141,836
Diluted weighted average shares	99,112,629	100,402,339	100,163,014
Basic EPS	\$5.37	\$3.22	\$4.37
Diluted EPS	\$5.33	\$3.19	\$4.32

Options to purchase 3,329,028, 2,603,897 and 621,244 shares of common stock during 2000, 1999 and 1998, respectively, were not included in the computation of diluted EPS because the options exercise price was greater than the average market price of common shares during the respective years.

#### NOTE 13: BUSINESS SEGMENTS

MBIA Inc., through its subsidiaries, is a leading provider of financial guarantee and specialized financial services. MBIA provides innovative and cost-effective products and services that meet the credit enhancement, financial and investment needs of its public- and private-sector clients, domestically and internationally. MBIA Inc. has three principal businesses: financial guarantee, investment management services and municipal services. Each of these is a business segment, with its respective financial performance detailed in this report.

The financial guarantee business provides an unconditional and irrevocable guarantee of the payment of principal and interest on insured obligations when due.

The investment management services business provides an array of products and services to the public and not-for-profit sectors. These include local government investment pools, investment agreements, and discretionary and non-discretionary portfolio management services.

The municipal services business provides revenue enhancement services and products to public-sector clients nationwide. During 1999, the company completed its reorganization of the operations of two subsidiaries, Municipal Tax Bureau (MTB) and Municipal Resource Consultants (MRC). With this reorganization complete, this business, operating as MBIA MuniServices, is now focused on delivering revenue enhancement services, consisting of discovery, audit, collections/recovery, enforcement and information (data) services.

Business segment results are presented gross of inter-segment transactions, which are not material to each segment. The following provides each business segment's revenues, operating income, income (loss) and assets:

In thousands	Year ended December 31, 2000			
	Financial Guarantee	Investment Management Services		Municipal Services
		Total		
Operating revenues	\$ 868,622	\$ 118,859	\$ 37,089	\$ 1,024,570
Expenses	(170,333)	(62,535)	(36,479)	(269,347)
Income from segments	\$ 698,289	\$ 56,324	\$ 610	\$ 755,223
Corporate loss				(40,366)
Pre-tax income				\$ 714,857
Segment assets	\$8,067,874	\$5,768,793	\$ 57,671	\$13,894,338
	Year ended December 31, 1999			
In thousands	Financial Guarantee	Investment Management Services		Municipal Services
		Total		
Operating revenues	\$ 829,738	\$ 86,600	\$ 22,923	\$ 939,261
Expenses	(315,236)	(45,920)	(35,372)	(396,528)
Income (loss) from segments	\$ 514,502	\$ 40,680	\$ (12,449)	\$ 542,733
Corporate loss				(154,850)
Pre-tax income				\$ 387,883
Segment assets	\$7,108,122	\$5,073,269	\$ 82,508	\$12,263,899
	Year ended December 31, 1998			
In thousands	Financial Guarantee	Investment Management Services		Municipal Services
		Total		
Operating revenues	\$ 782,482	\$ 65,032	\$ 29,392	\$ 876,906
Expenses	(139,626)	(36,012)	(40,682)	(216,320)
Income (loss) from segments	\$ 642,856	\$ 29,020	\$ (11,290)	\$ 660,586
Corporate loss				(95,548)
Pre-tax income				\$ 565,038
Segment assets	\$7,163,316	\$4,497,333	\$165,806	\$11,826,455

For 2000, 1999 and 1998 domestic premiums earned were \$377 million, \$391 million and \$387 million, respectively. For 2000, 1999 and 1998 international premiums earned were \$69 million, \$52 million and \$38 million, respectively.

**NOTE 14: DIVIDENDS AND CAPITAL REQUIREMENTS**

Under New York state insurance law, MBIA Corp. may pay dividends only from earned surplus subject to the maintenance of a minimum capital requirement. The dividends in any 12-month period may not exceed the lesser of 10% of its policyholders' surplus as shown on its last filed statutory basis financial statements or of adjusted net investment income, as defined, for such 12-month period, without prior approval of the superintendent of the New York State Insurance Department.

In accordance with such restrictions on the amount of dividends that can be paid in any 12-month period, MBIA Corp. had in excess of \$40 million available for the payment of dividends to the company as of December 31, 2000. During 2000 and 1999, MBIA Corp. declared and paid dividends of \$197 million and \$180 million to the company.

The insurance departments of New York State, certain other statutory insurance regulatory authorities, and the agencies that rate the bonds insured by MBIA Corp. and its subsidiaries, have various requirements relating to the maintenance of certain minimum ratios of statutory capital and reserves to net insurance in force. MBIA Corp. and its subsidiaries were in compliance with these requirements as of December 31, 2000.

**NOTE 15: STOCK REPURCHASE PLAN**

In the third quarter of 1999, the company began acquiring shares of its common stock in connection with its stock repurchase plan announced in August 1999. The plan authorizes the company to repurchase up to 7.5 million outstanding common shares. During

2000 and 1999, the company purchased 1.7 million and 0.5 million shares of common stock at an aggregate cost of \$77.7 million and \$24.7 million, respectively. The company will only repurchase shares under this program when it is economically attractive and within the constraints of the company's Triple-A claims-paying ratings.

**NOTE 16: LONG-TERM DEBT AND LINES OF CREDIT**

Long-term debt consists of:

In thousands	As of December 31	
	2000	1999
7.520% Notes due 2001-2002	\$ 7,500	\$ 11,250
9.000% Notes due 2001	100,000	100,000
6.880% Notes due 2008*	7,550	7,550
7.560% Notes due 2010	108,648	-
9.375% Notes due 2011	100,000	100,000
8.200% Debentures due 2022**	100,000	100,000
7.000% Debentures due 2025	75,000	75,000
7.150% Debentures due 2027	100,000	100,000
6.625% Debentures due 2028	150,000	150,000
6.950% Notes due 2038***	50,000	50,000
8.000% Notes due 2040****	100,000	-
	898,698	693,800
Less current portion	103,750	3,750
Less unamortized discount	760	846
Plus unamortized premium	914	-
Total	\$795,102	\$689,204

\* Callable 3/2000 @ 100.00

\*\*\* Callable 11/2003 @ 100.00

\*\* Callable 10/2002 @ 103.99

\*\*\*\* Callable 12/2005 @ 100.00

The company's long-term debt is subject to certain covenants, none of which significantly restrict the company's operating activities or dividend-paying ability.

In December 2000, MBIA issued unsecured bonds denominated in Swiss Francs. The principal amount of 175 million Swiss Francs is due June 15, 2010 and accrues interest at a rate of 4.50%, which is paid annually. These bonds are not redeemable prior to maturity, except in the event of certain changes involving taxation in the United States or the imposition of certain certification, identification or reporting requirements.

Simultaneous with the issuance of this debt, MBIA entered into a swap transaction which effectively converted MBIA's net interest expense to a U.S. dollar liability with a rate of 7.56%, which requires the payment of proceeds at maturity of approximately \$99.3 million in exchange for 175 million Swiss Francs and interest thereon.

In December 2000, MBIA also issued \$100 million of 40-year debentures with a coupon rate of 8.00% which is callable at MBIA's option after the fifth year. The proceeds of both debt offerings in 2000 will be used for general corporate purposes and for the repayment of MBIA's \$100 million 9.00% notes maturing February 15, 2001.

Aggregate maturities of long-term obligations for each of the next five years commencing in 2001 are:

In thousands	Years ended December 31					Total
	2001	2002	2003	2004	After 2005	
	\$103,750	\$3,750	-	-	\$791,198	\$898,698

MBIA Corp. has a standby line of credit commitment in the amount of \$900 million with a group of major Triple-A-rated banks to provide loans to MBIA Corp. if it incurs cumulative losses (net of any recoveries) from October 27, 2000 in excess of the greater of \$900 million or 5.60% of average annual debt service. The obligation to repay loans made under this agreement is a limited recourse obligation payable solely from, and collateralized by, a pledge of recoveries realized on defaulted insured obligations including certain installment premiums and other collateral. This commitment has a seven-year term expiring on October 31, 2007, and contains an annual renewal provision subject to approval by the bank group. MBIA Corp. also maintains stop-loss reinsurance coverage of \$175 million in excess of incurred losses of \$762 million.

The company and MBIA Corp. maintain bank liquidity facilities totaling \$650 million. As of December 31, 2000, there were no borrowings outstanding under these agreements.

From time to time TRS will access the capital markets for short-term asset-backed financings through a A<sub>1</sub>/P<sub>1</sub>-rated commercial paper conduit under conditions that the rating agencies agree will have no adverse impact on the rating of such conduit. Proceeds are invested under various client programs, which provide opportunities for MBIA Corp. to issue financial guarantee policies.

The company has outstanding letters of credit for MBIA-MISC that are intended to support the net asset value of certain investment pools managed by MBIA-MISC. These letters can be drawn upon in the event the liquidation of such assets at below cost is required.

#### NOTE 17: OBLIGATIONS UNDER MUNICIPAL INVESTMENT AGREEMENTS AND MUNICIPAL REPURCHASE AGREEMENTS

Obligations under municipal investment agreements and municipal repurchase agreements are recorded as liabilities on the balance sheet based upon proceeds received plus unpaid accrued interest from that date. Upon the occurrence of certain contractually agreed-upon events, some of these funds may be withdrawn at various times prior to maturity at the option of the investor. As of December 31, 2000, the annual interest rates on these agreements ranged from 2.5% to 8.08%.

Principal payments due under these investment agreements in each of the next five years ending December 31 and thereafter, based upon expected withdrawal dates, are as follows:

In thousands	Principal Amount
Expected withdrawal date:	
2001	\$1,932,918
2002	948,024
2003	391,199
2004	86,869
2005	26,893
Thereafter	1,352,377
Total	\$4,738,280

IMC also provides agreements obligating it to purchase designated securities in a bond reserve fund at par value upon the occurrence of certain contractually agreed-upon events. The opportunities and risks in these agreements are analogous to those of municipal investment agreements and municipal repurchase agreements. The total par value of securities subject to these agreements was \$25 million at December 31, 2000.

#### NOTE 18: NET INSURANCE IN FORCE

MBIA Corp. guarantees the timely payment of principal and interest on municipal, asset-/mortgage-backed and other non-municipal securities. MBIA Corp.'s ultimate exposure to credit loss in the event of nonperformance by the insured is represented by the insurance in force as set forth in the tables that follow.

The insurance policies issued by MBIA Corp. are unconditional commitments to guarantee timely payment on the bonds and notes to bondholders. The creditworthiness of each issuer is evaluated prior to the issuance of insurance, and each insured issue must comply with MBIA Corp.'s underwriting guidelines. Further, the payments to be made by the issuer on the bonds or notes may be backed by a pledge of revenues, reserve funds, letters of credit, investment contracts or collateral in the form of mortgages or other assets. The right to such money or collateral would typically become MBIA Corp.'s upon the payment of a claim by MBIA Corp.

Under certain structured asset-backed transactions, a pool of assets covering at least 100% of the principal amount guaranteed under the insurance contract is sold or pledged to a special-purpose bankruptcy remote entity. MBIA Corp.'s primary risk from such insurance contracts is the impairment of cash flows due to delinquency or loss on the underlying assets. MBIA Corp. therefore evaluates all the factors affecting past and future asset performance by studying historical data on losses, delinquencies and recoveries of the underlying assets. Each transaction is reviewed to ensure that an appropriate legal structure is used to protect against the bankruptcy risk of the originator of the assets. Along with the legal structure, an additional level of first-loss protection is also created to protect against losses due to credit or dilution. This first level of loss protection is usually available from reserve funds, excess cash flows, overcollateralization or recourse to a third party. The level of first-loss protection depends upon the historical losses and dilution of the underlying assets, but is typically several times the normal historical loss experience for the underlying type of assets.

As of December 31, 2000, insurance in force, net of cessions to reinsurers, had a range of maturity of 1-49 years diversified among 35,154 outstanding policies. The distribution of net insurance in force by geographic location, excluding \$5.4 billion and \$4.5 billion relating to investment management transactions guaranteed by MBIA Corp. in 2000 and 1999, respectively, is set forth in the following table:

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MBIA Inc. and Subsidiaries

\$ in billions Geographic Location	As of December 31			
	2000		1999	
	Net Insurance In Force	% of Net Insurance In Force	Net Insurance In Force	% of Net Insurance In Force
Domestic:				
California	\$ 80.0	11.8%	\$76.6	12.0%
New York	71.1	10.4	71.3	11.2
Florida	35.7	5.3	36.3	5.7
Texas	26.7	3.9	26.6	4.2
New Jersey	26.0	3.8	24.4	3.8
Pennsylvania	24.5	3.6	25.8	4.1
Illinois	22.6	3.3	22.1	3.5
Massachusetts	20.5	3.0	19.2	3.0
Michigan	14.8	2.2	15.0	2.4
Ohio	13.5	2.0	13.1	2.1
Subtotal	335.4	49.3	330.4	52.0
Nationally diversified	117.2	17.2	97.1	15.3
Other states	180.4	26.5	175.0	27.5
Total Domestic	633.0	93.0	602.5	94.8
International	47.9	7.0	33.4	5.2
Total	\$680.9	100.0%	\$635.9	100.0%

The distribution of net insurance in force by type of bond is set forth in the table below:

\$ in billions Type of Bond	As of December 31			
	2000		1999	
	Net Insurance In Force	% of Net Insurance In Force	Net Insurance In Force	% of Net Insurance In Force
Domestic:				
Public Finance:				
General obligation	\$152.7	22.4%	\$147.5	23.2%
Utilities	77.9	11.4	78.1	12.3
Health care	68.3	10.0	70.6	11.1
Special revenue	61.4	9.0	52.5	8.3
Transportation	48.7	7.2	45.5	7.1
Investor owned utilities	37.2	5.5	33.0	5.2
Higher education	28.8	4.2	27.1	4.3
Housing	24.4	3.6	23.3	3.7
Total Public Finance	499.4	73.3	477.6	75.2
Structured Finance:				
Mortgage backed:				
Home equity	33.8	5.0	43.2	6.8
Other	20.5	3.0	19.8	3.0
First mortgage	11.3	1.7	13.1	2.1
Asset backed:				
Other	23.3	3.4	16.9	2.6
Auto	14.7	2.2	8.7	1.4
Leasing	5.3	0.8	6.3	1.0
Pooled corp. obligation & other	18.9	2.8	10.7	1.7
Financial risk	5.8	0.8	6.2	1.0
Total Structured Finance	133.6	19.7	124.9	19.6
Total Domestic	633.0	93.0	602.5	94.8
International:				
Infrastructure:				
Sovereign	2.7	0.4	2.1	0.3
Utilities	2.5	0.4	1.6	0.2
Transportation	1.6	0.2	1.1	0.2
Investor owned utilities	1.4	0.2	1.1	0.2
Sub-sovereign	1.0	0.1	1.2	0.2
Health care	0.6	0.1	0.7	0.1
Housing	0.5	0.1	0.6	0.1
Higher education	0.1	-	0.1	-
Total Infrastructure	10.4	1.5	8.5	1.3
Structured Finance:				
Mortgage backed:				
First mortgage	3.9	0.6	1.5	0.2
Home equity	0.4	0.1	-	-
Other	0.2	-	0.2	-
Asset backed:				
Other	1.7	0.2	1.8	0.3
Auto	-	-	0.1	-
Pooled corp. obligation & other	27.9	4.1	17.6	2.8
Financial risk	3.4	0.5	3.7	0.6
Total Structured Finance	37.5	5.5	24.9	3.9
Total International	47.9	7.0	33.4	5.2
Total	\$680.9	100.0%	\$635.9	100.0%

**NOTE 19: REINSURANCE**

MBIA Corp. reinsures exposure with other insurance companies under various treaty and facultative reinsurance contracts, both on a pro rata and excess of loss basis. In the event that any or all of the reinsurers were unable to meet their obligations, MBIA Corp. would be liable for such defaulted amounts.

Amounts deducted from gross insurance in force for reinsurance ceded by MBIA Corp. and its subsidiaries were \$143.3 billion and \$129.0 billion at December 31, 2000 and 1999, respectively. The distribution of ceded insurance in force by type of bond is set forth in the following table:

In billions Type of Bond	As of December 31			
	2000		1999	
	Ceded Insurance In Force	% of Ceded Insurance	Ceded Insurance In Force	% of Ceded Insurance
Domestic:				
Public Finance:				
General obligation	\$ 19.8	13.9%	\$ 18.8	14.6%
Transportation	18.4	12.8	14.7	11.4
Utilities	17.1	11.9	17.2	13.3
Health care	15.3	10.7	15.7	12.2
Special revenue	9.4	6.6	8.8	6.8
Investor owned utilities	6.1	4.2	5.7	4.5
Housing	2.8	1.9	2.7	2.1
Higher education	2.4	1.7	2.1	1.6
Total Public Finance	91.3	63.7	85.7	66.5
Structured Finance:				
Mortgage backed:				
Home equity	8.2	5.7	8.8	6.8
Other	2.0	1.4	1.5	1.2
First mortgage	1.6	1.1	2.1	1.6
Asset backed:				
Other	2.9	2.0	2.4	1.8
Auto	2.6	1.8	1.9	1.4
Leasing	2.1	1.5	2.4	1.9
Pool corp. obligation & other	4.7	3.3	2.3	1.8
Financial risk	0.6	0.4	0.6	0.5
Total Structured Finance	24.7	17.2	22.0	17.0
Total Domestic	\$116.0	80.9	\$107.7	83.5

(Continued)

In billions Type of Bond	As of December 31			
	2000		1999	
	Ceded Insurance In Force	% of Ceded Insurance	Ceded Insurance In Force	% of Ceded Insurance
International:				
Infrastructure:				
Transportation	\$ 1.7	1.2	\$ 1.2	0.9
Sovereign	1.6	1.1	1.4	1.1
Utilities	1.1	0.8	0.7	0.5
Sub-sovereign	0.8	0.6	0.9	0.7
Investor owned utilities	0.6	0.4	0.5	0.4
Health care	0.4	0.3	0.4	0.3
Total infrastructure	6.2	4.4	5.1	3.9
Structured Finance:				
Pooled corp. obligation & other	15.0	10.4	9.5	7.4
Financial risk	2.8	2.0	3.1	2.4
Asset backed	1.8	1.2	2.4	1.9
Mortgage backed	1.5	1.1	1.2	0.9
Total Structured Finance	21.1	14.7	16.2	12.6
Total International	27.3	19.1	21.3	16.5
Total	\$143.3	100.0%	\$129.0	100.0%

The distribution of ceded insurance in force by geographic location is set forth in the following table:

In billions Geographic Location	As of December 31			
	2000		1999	
	Ceded Insurance In Force	% of Ceded Insurance	Ceded Insurance In Force	% of Ceded Insurance
Domestic:				
California	\$ 17.9	12.5%	\$ 17.6	13.6%
New York	13.7	9.5	14.0	10.9
New Jersey	6.9	4.8	5.5	4.3
Texas	5.3	3.7	5.5	4.2
Florida	4.7	3.3	5.0	3.9
Massachusetts	4.2	3.0	4.1	3.2
Pennsylvania	4.2	2.9	4.6	3.5
Colorado	3.8	2.7	2.4	1.9
Puerto Rico	3.7	2.6	3.2	2.5
Illinois	3.6	2.5	3.4	2.6
Subtotal	68.0	47.5	65.3	50.6
Nationally				
Diversified	18.8	13.1	14.4	11.2
Other States	29.2	20.3	28.0	21.7
Total Domestic	116.0	80.9	107.7	83.5
International	27.3	19.1	21.3	16.5
Total	\$143.3	100.0%	\$129.0	100.0%

As part of the company's portfolio shaping activity in 1998, the company entered into facultative reinsurance agreements with highly rated reinsurers that obligate the company to cede future premiums to the reinsurers through January 1, 2005. Certain reinsurance contracts in 1998 were accounted for on a

retroactive basis in accordance with SFAS 113, "Accounting and Reporting for Reinsurance of Short-Duration and Long-Duration Contracts."

Components of premiums written including reinsurance assumed from and ceded to other companies is set forth in the following table:

	Years ended December 31		
	2000	1999	1998
Direct	\$641,452	\$590,597	\$664,269
Assumed	45,956	34,274	12,781
Gross	687,408	624,871	677,050
Ceded	(189,316)	(171,256)	(156,064)
Net	\$498,092	\$453,615	\$520,986

Ceding commissions received from reinsurers before deferrals were \$37.3 million, \$35.3 million and \$37.2 million in 2000, 1999 and 1998, respectively. In 1998, \$170.0 million was received in reinsurance recoveries related to the bankruptcy of a Pennsylvania hospital group.

#### NOTE 20: PENSION AND PROFIT-SHARING PLANS

The company has a non-contributory, defined contribution pension plan to which the company contributes 10% of each eligible employee's annual total compensation. Pension expense for the years ended December 31, 2000, 1999 and 1998 was \$7.8 million, \$7.8 million and \$7.3 million, respectively. The company also has a profit-sharing/401(k) plan that allows eligible employees to contribute up to 10% of eligible compensation. The company matches employee contributions up to the first 5% of total compensation. Company contributions to the profit-sharing/401(k) plan aggregated \$2.8 million, \$4.2 million and \$2.9 million for the years ended December 31, 2000, 1999 and 1998, respectively. The profit-sharing/401(k) plan company match amounts are invested in common stock of the company. Amounts relating to the above plans that exceed limitations established by federal regulations are contributed to a non-qualified deferred compensation plan.

#### NOTE 21: LONG-TERM INCENTIVE PLANS

On March 2, 1987, the company adopted a plan (the 1987 plan) for key employees of the company and its subsidiaries to enable those employees to acquire shares of common stock of the company or to benefit from appreciation in the price of the common stock of the company. Options granted will either be Incentive Stock Options (ISOs), where they qualify under Section 422(a) of the Internal Revenue Code, or Non-Qualified Stock Options (NQSOs).

ISOs and NQSOs may be granted at a price not less than 100% of the fair value of the company's common stock as determined on the date granted. Options will be exercisable as specified at the time of grant and expire ten years from the date of grant (or shorter if specified or following termination of employment).

The board of directors of the company has authorized a maximum of 9,311,122 shares of the company's common stock to be granted as options under the 1987 plan. As of May 11, 2000, 9,161,959 options had been granted, net of expirations and cancellations. On May 11, 2000, at the annual meeting of shareholders, the company adopted the 2000 Stock Option Plan (the 2000 plan). Upon adoption of the 2000 plan, the 149,163 shares available for grant as of that date under the 1987 plan were canceled and no longer available for awards. The number of shares authorized under the 2000 plan is 4,900,000. As of December 31, 2000, 456,228 options had been granted under the 2000 plan, net of expirations and cancellations, leaving the total available for future grants at 4,443,772.

The stock option grants, which may continue to be awarded every year, provide the right to purchase shares of common stock at the fair value (closing price) of the stock on the date of the grant. In 2000, 586,938 options were awarded under the 1987 and 2000 plans. These options vest over four or five years depending on the level of the recipient. Prior option grants are not taken into account in determining the number of options granted in any year.

In December 1995, the MBIA Inc. Board of Directors approved the "MBIA Long-Term Incentive Program." The incentive program includes a stock option program and adds a compensation component linked to the growth in adjusted book value per share (ABV) of the company's stock. Awards under the long-term program are divided equally between the two components, with 50% of the award given in stock options and 50% of the award to be paid in cash or shares of company stock.

Target levels for the option/incentive award are established as a percentage of total salary and bonus, based upon the recipient's position. Awards under the long-term program typically will be granted from the vice president level up to and including the chairman and chief executive officer.

The ABV portion of the long-term incentive program may be awarded every year. The 2000 award covers growth in ABV from December 31, 2000 through December 31, 2003, with a base line growth of 13.5%. The 1999 award covers growth in ABV from December 31, 1999 through December 31, 2002 and the 1998 award covers growth in ABV from December 31, 1998 through December 31, 2001, with a base line growth of 12% on both awards. The amount to be paid in respect of such award will be adjusted upward or downward based on the actual ABV growth, with a minimum growth of 8% necessary to receive any payment and an 18% growth needed to receive the maximum payment of 200% of the target levels. The amount, if any, to be paid under this portion of the program will be paid in early 2004 for the 2000 award, in early 2003 for the 1999 award and early 2002 for the 1998 award in the form of cash or shares of the company's common stock. Subsequent awards, if any, will be made every year with concomitant payments occurring after the three-year cycle. During 2000, 1999 and 1998, \$13.6 million, \$8.5 million and \$5.5 million, respectively, were recorded as compensation expense related to ABV awards.

In December 1995, the company adopted a restricted stock program whereby key executive officers are granted

restricted shares of the company's stock. These stock awards may only be sold three to five years from the date of grant, at which time the awards fully vest.

In 2000 and 1999, respectively, 76,512 and 96,968 restricted shares (net of canceled shares) of the company's stock were granted to certain officers of the company. The fair value of the shares awarded in 2000 and 1999 determined on the grant date was \$6.1 million and \$5.0 million, respectively, and has been recorded as "Unearned compensation-restricted stock" and is shown as a separate component of shareholders' equity. Unearned compensation is amortized to expense over the appropriate three- to five-year vesting period. Compensation expense related to the restricted stock was \$4.2 million, \$1.9 million and \$1.3 million for the years ended December 31, 2000, 1999 and 1998, respectively.

In 1992, CapMAC adopted an Employee Stock Ownership Plan (ESOP) to provide its employees the opportunity to obtain beneficial interests in the stock of CapMAC through a trust (the ESOP Trust). The ESOP Trust purchased 350,625 shares of the company's stock. The ESOP Trust financed its purchase of common stock with a loan from the company in the amount of \$10 million. The ESOP loan is evidenced by a promissory note delivered to the company. An amount representing unearned employee compensation, equivalent in value to the unpaid balance of the ESOP loan, is recorded as "Unallocated ESOP shares" and is shown as a separate component of shareholders' equity.

The company is required to make contributions to the ESOP Trust, which enables the ESOP Trust to service its loan to the company. Prior to 1999, the ESOP expense was calculated using the shares allocated method. Shares were released for allocation to the participants and held in trust for the employees based upon the ratio of the current year's principal and interest payment to the sum of principal and interest payments estimated over the life of the loan. Compensation expense related to the ESOP was \$1.3 million for the year ended December 31, 1998. As of December 31, 1998, 208,789 shares were allocated to the participants.

In July 1999, the company contributed 13,397 additional shares to the ESOP plan. Subsequent to this contribution the ESOP plan was merged with the MBIA Inc. Employees Profit Sharing and 401(k) plan. In conjunction with the merger of the plans, released ESOP shares are used to fund the 401(k) company match obligations. During 2000 and 1999, 44,424 and 10,190 shares, respectively, were utilized for the 401(k) company match. As of December 31, 2000 and 1999, respectively, a total of 267,789 and 223,365 shares have been allocated to the participants.

In October 1995, the FASB issued SFAS 123, "Accounting for Stock-Based Compensation," effective for financial statements for fiscal years beginning after December 15, 1995. SFAS 123 required the company to adopt, at its election, either 1) the provisions in SFAS 123 which require the recognition of compensation expense for employee stock-based compensation plans, or 2) the

provisions in SFAS 123 which require the pro-forma disclosure of net income and earnings per share as if the recognition provisions of SFAS 123 had been adopted. SFAS 123 explicitly provides that employers may continue to account for their employee stock-based compensation plans using the accounting prescribed by APB Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25). The company adopted the disclosure requirements of SFAS 123 effective January 1, 1996 and continues to account for its employee stock-based compensation plans under APB 25. Accordingly, the adoption of SFAS 123 had no impact on the company's financial position or results of operations. As the table below shows, had compensation cost for the company's stock option program been recognized based on the fair value at the grant date, consistent with the recognition provisions of SFAS 123, the impact on the company's net income and earnings per share would not have been material. However, since the options vest over five years and additional awards could be made in future years, the effects of applying SFAS 123 in 2000 are not likely to be representative of the effects on reported net income and earnings per share for future years.

	Years ended December 31		
	2000	1999	1998
Net income (in thousands):			
Reported	\$528,637	\$320,530	\$432,728
Pro-forma	520,238	314,074	430,224
Basic earnings per share:			
Reported	\$5.37	\$3.22	\$4.37
Pro-forma	5.28	3.15	4.35
Diluted earnings per share:			
Reported	\$5.33	\$3.19	\$4.32
Pro-forma	5.25	3.13	4.30

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted-average assumptions used for grants:

	December	December	January	December
	2000	1999	1999	1998
Exercise price	\$72.8750	\$48.8125	\$67.1250	\$63.8152
Dividend yield	1.130%	1.680%	1.190%	1.254%
Expected volatility	.2834	.2512	.2392	.2392
Risk-free interest rate	5.342%	6.28%	4.83%	4.63%
Expected option term (in years)	6.18	6.05	6.05	5.86

A summary of the company's stock option plans as of December 31, 2000, 1999 and 1998, and changes during the years ending on those dates, is presented below:

Options	2000	
	Number of Shares	Weighted Avg. Price per Share
Outstanding at beginning of year	5,530,090	\$50.7047
Granted	586,938	68.2659
Exercised	623,937	60.7741
Expired or canceled	205,629	60.7840
Outstanding at year-end	5,287,462	\$55.0067
Exercisable at year-end	1,765,194	\$39.5690
Weighted-average fair value per share of options granted during the year		\$23.6069

Options	1999	
	Number of Shares	Weighted Avg. Price per Share
Outstanding at beginning of year	3,679,414	\$42.2591
Granted	2,373,540	61.1806
Exercised	365,816	64.0688
Expired or canceled	157,048	66.2718
Outstanding at year-end	5,530,090	\$50.6911
Exercisable at year-end	2,092,322	\$32.5158
Weighted-average fair value per share of options granted during the year		\$21.4250

Options	1998	
	Number of Shares	Weighted Avg. Price per Share
Outstanding at beginning of year	4,033,930	\$37.0004
Granted	575,430	63.8152
Exercised	744,670	69.6068
Expired or canceled	185,276	61.2550
Outstanding at year-end	3,679,414	\$42.2591
Exercisable at year-end	2,095,767	\$29.3827
Weighted-average fair value per share of options granted during the year		\$18.1565

The following table summarizes information about the plan's stock options at December 31, 2000:

Range of Average Exercise Price	Number		Weighted-Average Contractual Life in Years	Weighted-Average Exercise Price	Number Exercisable 12/31/00	Weighted-Average Exercise Price
	Outstanding at 12/31/00	Remaining				
\$17.5630-42.7800	1,207,297	2.85		\$29.8921	1,187,297	\$29.7255
\$44.5630-57.5000	954,844	8.75		\$49.1693	17,898	\$53.7235
\$57.9380-72.8750	3,125,321	7.81		\$66.4918	559,999	\$62.3175
Total	5,287,462	6.85		\$55.0067	1,765,194	\$39.5690

NOTE 22: SHAREHOLDERS' RIGHTS PLAN

In December 1991, the board of directors of the company declared a dividend distribution of one preferred share purchase right (a Right) for each outstanding share of the company's common stock. Each Right entitles its holder to purchase from the company one one-hundredth of a share of the company's Junior Participating Cumulative Preferred Shares at a price of \$160, subject to certain adjustments. Initially, the Rights are attached to the common stock and will not be transferable separately nor become exercisable until the earlier to occur of (i) ten business days following the date of the public announcement by the company (the Shares Acquisition Date) that a person or group of persons has acquired or obtained the right to acquire beneficial ownership of 10% or more of the outstanding shares of the company's common stock and (ii) ten business days (or later as may be determined by the board of directors) after the announcement or commencement of a tender offer or exchange offer which, if successful, would result in the bidder owning 10% or more of the outstanding shares of the company's common stock. However, no person shall be deemed to have acquired or obtained the right to acquire the beneficial ownership of 10% or more of the outstanding shares of the company's common stock if the board of directors determines that such acquisition is inadvertent, and such person promptly divests itself of a sufficient number of shares to be below the 10% ownership threshold.

If the acquiring person or group acquires beneficial ownership of 10% or more of the company's common stock (except pursuant to a tender or exchange offer for all outstanding common stock of the company, determined by the company's independent directors to be at a fair price and in the best interests of the company and its shareholders), each holder of a Right (other than the acquirer) will be entitled to purchase, for \$160, that number of shares of common stock of the company having a fair value of \$320.

Similarly, if after an acquiring person or group so acquires 10% or more of the company's common stock, the company is acquired in a merger or other business combination and is not the surviving entity, or its common stock is changed or exchanged in whole or in part, or 50% or more of the company's assets, cash flow or earning power is sold, each holder of a Right (other than the acquirer) will be entitled to purchase, for \$160, that number of shares of common stock of the acquiring company having a fair value of \$320.

The board of directors may redeem the Rights in whole at \$.01 per Right at any time prior to ten business days following the Shares Acquisition Date. Further, at any time after a person or group acquires 10% or more, but less than 50%, of the company's common stock, the board of directors of the company may

exchange the Rights (other than those held by the acquirer) in whole or in part, at an exchange ratio of one share of common stock per Right. The board of directors may also amend the Rights at any time prior to the Shares Acquisition Date. The Rights will expire on December 12, 2001, unless earlier redeemed or exchanged.

**NOTE 23: RELATED PARTY TRANSACTIONS**

Since 1989, MBIA Corp. has executed five surety bonds to guarantee the payment obligations of the members of the Association which had their S&P claims-paying rating downgraded from Triple-A on their previously issued Association policies. In the event that they do not meet their Association policy payment obligations, MBIA Corp. will pay the required amounts directly to the paying agent. The aggregate outstanding exposure on these surety bonds as of December 31, 2000 is \$340 million.

**NOTE 24: FAIR VALUE OF FINANCIAL INSTRUMENTS**

The estimated fair value amounts of financial instruments shown in the following table have been determined by the company using available market information and appropriate valuation methodologies. However, in certain cases considerable judgment has been necessarily required to interpret market data to develop estimates of fair value. Accordingly, the estimates presented herein are not necessarily indicative of the amount the company could realize in a current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on the estimated fair value amounts.

**FIXED-MATURITY SECURITIES** > The fair value of fixed-maturity securities is based upon quoted market prices, if available. If a quoted market price is not available, fair value is estimated using quoted market prices for similar securities.

**SHORT-TERM INVESTMENTS** > Short-term investments are carried at amortized cost which approximates fair value.

**OTHER INVESTMENTS** > Other investments include the company's interest in equity oriented and equity method investments. The fair value of these investments is based on quoted market prices.

**MUNICIPAL INVESTMENT AGREEMENT PORTFOLIO** > The municipal investment agreement portfolio is comprised of fixed-maturity securities and short-term investments. Its fair value equals the quoted market prices, if available, of its fixed-maturities plus the amortized cost of its short-term investments which, because of their short duration, is a reasonable estimate of fair value. If a quoted market price is not available for a fixed-maturity security, fair value is estimated using quoted market prices for similar securities.

**CASH AND CASH EQUIVALENTS, RECEIVABLE FOR INVESTMENTS SOLD, SHORT-TERM DEBT AND PAYABLE FOR INVESTMENTS PURCHASED** > The carrying amounts of these items are a reasonable estimate of their fair value.

**SECURITIES BORROWED OR PURCHASED UNDER AGREEMENTS TO RESELL** > The fair value is estimated based upon the quoted market prices of the transactions' underlying collateral.

**PREPAID REINSURANCE PREMIUMS** > The fair value of the company's prepaid reinsurance premiums is based on the estimated cost of entering into an assumption of the entire portfolio with third-party reinsurers under current market conditions.

**DEFERRED PREMIUM REVENUE** > The fair value of the company's deferred premium revenue is based on the estimated cost of entering into a cession of the entire portfolio with third-party reinsurers under current market conditions.

**LOSS AND LOSS ADJUSTMENT EXPENSE RESERVES** > The carrying amount is composed of the present value of the expected cash flows for specifically identified claims combined with an estimate for unidentified claims. Therefore, the carrying amount is a reasonable estimate of the fair value of the reserve.

**LONG-TERM DEBT** > The fair value is estimated based on the quoted market prices for the same or similar securities.

**MUNICIPAL INVESTMENT AGREEMENTS AND MUNICIPAL REPURCHASE AGREEMENTS** > The fair values of municipal investment agreements and municipal repurchase agreements are estimated using discounted cash flow calculations based upon interest rates currently being offered for similar agreements with maturities consistent with those remaining for the agreements being valued.

**SECURITIES LOANED OR SOLD UNDER AGREEMENTS TO REPURCHASE** > The fair value is estimated based upon the quoted market prices of the transactions' underlying collateral.

**INSTALLMENT PREMIUMS** > The fair value is derived by calculating the present value of the estimated future cash flow stream discounted at 9%.

**DERIVATIVES** > The fair value reflects the estimated amounts that the company would receive or pay to terminate the transaction at the reporting date.

# NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

MBIA Inc. and Subsidiaries

In thousands	As of December 31, 2000		As of December 31, 1999	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
<b>ASSETS:</b>				
Fixed-maturity securities	\$6,740,127	\$6,740,127	\$5,783,979	\$5,783,979
Short-term investments	376,604	376,604	274,022	274,022
Other investments	119,591	119,591	146,038	146,038
Municipal investment agreement portfolio	4,996,608	4,996,608	4,489,551	4,489,551
Cash and cash equivalents	93,962	93,962	93,559	93,559
Securities borrowed or purchased under agreements to resell	314,624	332,179	261,171	260,819
Reinsurance recoverable on unpaid losses	31,414	31,414	30,819	30,819
Prepaid reinsurance premiums	442,622	380,047	403,210	342,837
Receivable for investments sold	13,772	13,772	24,922	24,922
<b>LIABILITIES:</b>				
Deferred premium revenue	2,397,578	2,123,661	2,310,758	2,022,357
Loss and loss adjustment expense reserves	499,279	499,279	467,279	467,279
Municipal investment agreements	3,821,652	3,911,348	3,483,911	3,413,014
Municipal repurchase agreements	967,803	994,742	1,028,921	1,023,823
Long-term debt	795,102	799,345	689,204	660,567
Short-term debt	144,243	144,243	68,751	68,751
Securities loaned or sold under agreements to repurchase	489,624	504,739	288,750	289,469
Payable for investments purchased	7,899	7,899	102,666	102,666
<b>OFF-BALANCE SHEET INSTRUMENTS:</b>				
Installment premiums	—	885,477	—	731,748
Derivatives*	9,386	25,603	—	9,617

\*The estimated fair value for 2000 includes net derivative liabilities identified as part of the company's implementation of SFAS 133.

## NOTE 25: QUARTERLY FINANCIAL INFORMATION (UNAUDITED)

A summary of selected quarterly income statement information follows:

In thousands except per share amounts

2000	First	Second	Third	Fourth	Year
Gross premiums written	\$148,837	\$189,295	\$172,010	\$177,266	\$687,408
Net premiums written	105,871	127,485	122,789	141,947	498,092
Premiums earned	104,704	109,152	113,153	119,344	446,353
Investment income and realized gains and losses	107,255	106,897	105,474	107,243	426,869
All other revenues	42,475	46,475	47,594	47,688	184,232
Income before income taxes	179,077	174,111	177,493	184,176	714,857
Net income	\$132,320	\$129,393	\$130,714	\$136,210	\$528,637
Net income per common share:*					
Basic	\$ 1.34	\$ 1.32	\$ 1.33	\$ 1.39	\$ 5.37
Diluted	\$ 1.33	\$ 1.31	\$ 1.32	\$ 1.38	\$ 5.33
1999	First	Second	Third	Fourth	Year
Gross premiums written	\$154,910	\$146,817	\$152,749	\$170,395	\$624,871
Net premiums written	94,914	111,461	119,720	127,520	453,615
Premiums earned	112,111	107,217	110,139	113,329	442,796
Investment income and realized gains and losses	97,429	96,152	97,094	93,941	384,616
All other revenues	27,986	33,161	36,275	39,587	137,009
Income before income taxes	11,954	53,358	160,178	162,393	387,883
Net income	\$ 9,420	\$ 56,793	\$127,410	\$126,907	\$320,530
Net income per common share:*					
Basic	\$ 0.09	\$ 0.57	\$ 1.28	\$ 1.28	\$ 3.22
Diluted	\$ 0.09	\$ 0.56	\$ 1.27	\$ 1.27	\$ 3.19

\*Due to the changes in the number of shares outstanding, quarterly per share amounts may not add to the totals for the years.

The pre-tax one-time charge of \$153 million relating to the increase in the company's loss reserving factor is included in the first quarter of 1999 results. The pre-tax one-time charge of \$102 million relating to the impairment of the company's investment in Capital Asset is included in the second quarter of 1999 results.

	<p><b>Board of Directors</b> AS OF 12/31/00</p> <p><b>Joseph W. Brown</b> [4] Chairman Chief Executive Officer MBIA Inc. Armonk, New York Age 51</p> <p><b>David C. Clapp</b> [3,4,5,6] Senior Director Goldman, Sachs &amp; Co., Inc. New York, New York Age 63</p> <p><b>Gary C. Dunton</b> [5,6] President MBIA Inc. Armonk, New York Age 45</p> <p><b>David H. Elliott</b> [2,4,5] retired Chairman MBIA Inc. Armonk, New York Age 59</p> <p><b>Claire L. Gaudiani</b> [2,3] President Connecticut College New London, Connecticut Age 56</p> <p><b>William H. Gray, III</b> [1,2] President Chief Executive Officer United Negro College Fund, Inc. Fairfax, Virginia Age 59</p> <p><b>Freda S. Johnson</b> [1,6] President Government Finance Associates, Inc. New York, New York Age 53</p> <p><b>Daniel P. Kearney</b> [3,4,6] Private Investor Marblehead, Massachusetts Age 61</p> <p><b>James A. Lebenthal</b> [1] Chairman Lebenthal &amp; Co., Inc. New York, New York Age 72</p> <p><b>John A. Rolls</b> [1,3,4,5] President Thermion Systems International Stamford, Connecticut Age 59</p>	<p><b>Board Committees</b> 1. Audit 2. Committee on Directors 3. Compensation and Organization 4. Executive 5. Finance 6. Risk Oversight</p> <p><b>Senior Officers MBIA Inc.</b></p> <p><b>Joseph W. Brown*</b> Chairman Chief Executive Officer</p> <p><b>Neil G. Budnick *</b> Vice President Chief Financial Officer</p> <p><b>John B. Caouette *</b> Vice President Head of International</p> <p><b>Gary C. Dunton *</b> President Chief Operating Officer</p> <p><b>Douglas C. Hamilton</b> Vice President Controller</p> <p><b>John S. Pizzarelli*</b> Vice President Head of Public Finance</p> <p><b>Joseph L. Sevely</b> Vice President Treasurer</p> <p><b>Kevin D. Silva *</b> Vice President Chief Administrative Officer</p> <p><b>Richard L. Weill *</b> Vice President Secretary</p> <p><b>Ram D. Wertheim *</b> Vice President General Counsel</p> <p><b>Ruth M. Whaley *</b> Vice President Chief Risk Officer</p> <p><b>Robert T. Wheeler*</b> Vice President Chief Technology Officer</p> <p><b>Mark S. Zucker*</b> Vice President Head of Structured Finance</p> <p><small>* MEMBERS OF THE EXECUTIVE POLICY COMMITTEE</small></p>	<p><b>Senior Officers MBIA Insurance Corp.</b></p> <p><b>Dinah E. Bellis</b> Managing Director</p> <p><b>Beth E. Berman</b> Managing Director</p> <p><b>Joseph W. Brown</b> Chairman Chief Executive Officer</p> <p><b>Neil G. Budnick</b> Vice Chairman Chief Financial Officer</p> <p><b>Steven C. H. Citron</b> Managing Director</p> <p><b>John B. Caouette</b> Vice Chairman Head of International</p> <p><b>Steven S. Cooke</b> Managing Director</p> <p><b>Clifford D. Corso</b> Managing Director Chief Investment Officer</p> <p><b>Kenneth L. Degen</b> Managing Director</p> <p><b>David H. Dubin</b> Managing Director</p> <p><b>Gary C. Dunton</b> President Chief Operating Officer</p> <p><b>Lori M. Evangel</b> Managing Director</p> <p><b>Carl E. Favelukes</b> Managing Director</p> <p><b>Nicholas Ferreri</b> Managing Director</p> <p><b>Barbara J. Flickinger</b> Managing Director</p> <p><b>Margaret Garfunkel</b> Managing Director</p> <p><b>Stephen C. Halpert</b> Managing Director</p> <p><b>Douglas C. Hamilton</b> Managing Director</p> <p><b>Drew D. Hoffman</b> Managing Director</p> <p><b>Una M. Kearns</b> Managing Director</p> <p><b>Bruce J. Legan</b> Managing Director</p> <p><b>Louis G. Lenzi</b> Managing Director</p>	<p><b>Lawrence E. Levitz</b> Managing Director</p> <p><b>John D. Lohrs</b> Managing Director</p> <p><b>Michael J. Maguire</b> Managing Director</p> <p><b>J. Paul Mansour</b> Managing Director</p> <p><b>Amy E. Mauer Litos</b> Managing Director</p> <p><b>Timothy J. McKeon</b> Managing Director</p> <p><b>Thomas G. McLoughlin</b> Managing Director</p> <p><b>Franklin Minerva</b> Managing Director</p> <p><b>Robert L. Nevin, Jr.</b> Managing Director</p> <p><b>Gerard E. Murray</b> Director Controller</p> <p><b>David N. Penchoff</b> Managing Director</p> <p><b>John S. Pizzarelli</b> Managing Director Head of Public Finance</p> <p><b>Jack Praschnik</b> Managing Director</p> <p><b>Judith C. Radasch</b> Managing Director</p> <p><b>Jeremy E. Reifsnnyder</b> Managing Director</p> <p><b>Emmeline Rocha-Sinha</b> Managing Director</p> <p><b>Eric J. Rosensweig</b> Managing Director</p> <p><b>Edward T. Ruddock</b> Managing Director</p> <p><b>Thomas O. Scherer</b> Managing Director</p> <p><b>Joseph L. Sevely</b> Managing Director</p> <p><b>Roger Shields</b> Managing Director</p> <p><b>Kevin D. Silva</b> Managing Director Chief Administrative Officer</p>	
--	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

	<p>Deborah Z. Silverman Managing Director</p> <p>Nicholas Sourbis Managing Director</p> <p>Karleen C. Strayer Managing Director</p> <p>Elizabeth B. Sullivan Managing Director</p> <p>Philip C. Sullivan Managing Director</p> <p>Carolyn Tain Managing Director</p> <p>Christopher W. Tilley Managing Director</p> <p>Carl Webb Managing Director</p> <p>Christopher H. Weeks Managing Director</p> <p>Richard L. Weill Vice Chairman Secretary</p> <p>Ram D. Wertheim Managing Director General Counsel</p> <p>Ruth M. Whaley Managing Director Chief Risk Officer</p> <p>Robert T. Wheeler Managing Director Chief Technology Officer</p> <p>David White Managing Director</p> <p>Charles E. Williams Managing Director</p> <p>Eric C. Williamson Managing Director</p> <p>Mark S. Zucker Managing Director Head of Structured Finance</p>	<p><b>Senior Officers MBIA Inc. Subsidiaries</b></p> <p>W. Thacher Brown President MBIA Asset Management</p> <p>Carol K. Blair Managing Director MBIA Capital Management Corp.</p> <p>Clifford D. Corso President MBIA Capital Management Corp.</p> <p>Joseph T. Doyle, Jr. Managing Director 1838 Investment Advisors LLC</p> <p>George W. Gephart, Jr. Managing Director Head of Equity Management 1838 Investment Advisors LLC</p> <p>Robert C. Hancock Managing Director 1838 Investment Advisors LLC</p> <p>Francie Heller President MBIA Municipal Investors Service Corporation</p> <p>Robert W. Herz Managing Director 1838 Investment Advisors LLC</p> <p>Thomas D. Jordan Managing Director MBIA Municipal Investors Service Corporation</p> <p>Marc D. Morris President MBIA Investment Management Corp.</p> <p>Robert M. Ohanesian Managing Director MBIA Capital Management Corp.</p>	<p>John H. Springrose Managing Director Head of Marketing 1838 Investment Advisors LLC</p> <p>Hans van den Berg Managing Director 1838 Investment Advisors LLC</p> <p>Thomas L. Wilkerson President MBIA MuniServices Company</p>		
--	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--	--

**Stock Exchange Listing**

MBIA Inc. common stock is listed on the New York Stock Exchange (symbol: MBI). The approximate number of shareholders of record of MBIA's common stock was 1,008 as of December 31, 2000.

**Annual Meeting**

All shareholders are cordially invited to attend the annual shareholders' meeting, which will be held Thursday, May 10, 2001 at MBIA Inc. in Armonk, New York. A formal notice of the meeting, together with a proxy statement and proxy form, will be mailed to all shareholders.

**Financial and Other Information**

Quarterly earnings, annual reports, Form 10-K, corporate news and other company information is available on MBIA's web site: [www.mbia.com](http://www.mbia.com). Copies of MBIA's corporate financial information can also be obtained by writing to Shareholder Information at MBIA.

Members of the financial community seeking additional information about MBIA should contact:

Judith C. Radasch  
 Managing Director, Equity Investor Relations  
 914-765-3014  
 e-mail: [judy.radasch@mbia.com](mailto:judy.radasch@mbia.com)

Charles E. Williams  
 Managing Director, Fixed-Income Investor Relations  
 914-765-3481  
 e-mail: [charlie.williams@mbia.com](mailto:charlie.williams@mbia.com)

Neil G. Budnick  
 Vice Chairman, Chief Financial Officer  
 914-765-3020  
 e-mail: [neil.budnick@mbia.com](mailto:neil.budnick@mbia.com)

**2001 Key Financial Dates**

Payment of future dividends is dependent upon results of MBIA's operations, financial condition and other business considerations.

**Dividend Declarations**

March 15, 2001  
 June 13, 2001  
 September 14, 2001  
 December 6, 2001

**RECORD DATES**

March 26, 2001  
 June 25, 2001  
 September 24, 2001  
 December 19, 2001

**Dividend Payment Dates**

April 16, 2001  
 July 16, 2001  
 October 15, 2001  
 January 15, 2002

**Transfer Agent, Registrar and Dividend Disbursing Agent**

ChaseMellon Shareholder Services, LLC  
 85 Challenger Road  
 Overpeck Centre  
 Ridgefield Park, New Jersey 07660  
 800-288-9541

**Auditors**

PricewaterhouseCoopers LLP, New York, New York

**Trademarks**

The MBIA logo, MBIA Insurance Corporation and CLASS are trademarks of MBIA.

Common Stock Data		Market Price*		
	Dividends Paid Per Share	High	Low	Close
<b>2000</b>				
1st Quarter	\$0.205	52 <sup>1</sup> / <sub>16</sub>	36 <sup>5</sup> / <sub>16</sub>	52 <sup>1</sup> / <sub>16</sub>
2nd Quarter	0.205	59 <sup>3</sup> / <sub>16</sub>	48 <sup>3</sup> / <sub>16</sub>	48 <sup>3</sup> / <sub>16</sub>
3rd Quarter	0.205	71 <sup>1</sup> / <sub>16</sub>	49 <sup>7</sup> / <sub>16</sub>	71 <sup>1</sup> / <sub>16</sub>
4th Quarter	0.205	74 <sup>15</sup> / <sub>16</sub>	64 <sup>7</sup> / <sub>16</sub>	74 <sup>1</sup> / <sub>16</sub>
<b>1999</b>				
1st Quarter	\$0.200	70 <sup>15</sup> / <sub>16</sub>	57	58
2nd Quarter	0.200	71 <sup>9</sup> / <sub>16</sub>	57 <sup>5</sup> / <sub>16</sub>	64 <sup>3</sup> / <sub>16</sub>
3rd Quarter	0.200	66 <sup>9</sup> / <sub>16</sub>	46 <sup>5</sup> / <sub>16</sub>	46 <sup>5</sup> / <sub>16</sub>
4th Quarter	0.200	57 <sup>1</sup> / <sub>16</sub>	45 <sup>8</sup> / <sub>16</sub>	52 <sup>13</sup> / <sub>16</sub>

\*Based on New York Stock Exchange Trading Data

**MBIA's mission** is to promote growth and prosperity in communities around the world. We work toward fulfilling our mission by providing products and services of enduring quality that strengthen the financial resources and capabilities of state, local and sovereign governments, and our private-sector clients.

**MBIA conducts business** in 31 countries, and touches the lives of many highly diverse groups including employees, clients, shareholders, business partners and taxpayers at large. In every business decision we make and every action we take, our employees are guided by five corporate values: customer service, performance excellence, integrity, teamwork and good corporate citizenship. These values extend to the communities in which we live and work: MBIA provides matching grants and funding to a number of charitable organizations nationwide.



Flickinger Mary Flynn Jesse Fogarty David Frascella Daniel Frisch Ileana Fuentes Theodore Galgano Jr. Maureen Gallagher Brendan Gallagher Michele Galligan Angelique Galtwitz Richard Garay Lisa Garcia Leigh Garcia Peggy Garfunkel John Garrity Samuel Gass Andrea Gavalier Catherine Geddes Ethel Geisinger George Gephart Stephen Gibson Genevieve Gifford MaryEllen Gilroy Patricia Ginas Richard Giuffra Patricia Goldrick Sanford Goldstein Amy Gonch Melysa Gonzalez Esther Gonzalez Andrew Goodale Jennifer Gopoian Jennette Gosselein Robert Greene Richard Greenwood Jr. Aeneas Griffin Lisa Grozio Amy Gullotta Marsha Gumbs John Hall Traci Hall Stephen Halpert Dorothy Anne Hamill Douglas Hamilton Jacquelyn Hamme Robert Hancock Takayasu Hara Roger Harris Nancy Harris Donald Harrison Dana Hartman Emele Hassan Selena Hay Oddette Haynes Venetia Heintz Robert Heller Francie Heller Ken Helwig Marc Herman Ana Hernandez Daniel Hernandez Robert Herz Jacqueline Heslin Rick Hess Christine Hessling Sandra Heuer David Hoak Hai Hoang Drew Hoffman Ed Holden Stephen Holliday Denise Horbach Robert Horowitz David Hufnagel Roslyn Hume Travis Humphries Timothy Hunt Mara Huntington Francesca Hurd Brian Hynes Paul Iannone Girija Iyer Rosalie Jackson Lynn Jacobs Michael Jacobson Liz James Ed Janson Sean Jencik Paul Jennings Douglas Jensen Corey Johnson Janet Johnson David Johnson Kimberly Johnson-Cole Michael Joos Thomas Jordan Deirdre Jordan-Coleman Christopher Jumper Esther Kain Maria Kang Jasvinder Kaur Una Kearns Mark Keller Monica Keller Rosemary Kelley John Kelley Patrick Kelly James Kelly Stephen Kepes Amy Killeen Henry Kim Jake Kim Danny King Howard King Kathy Kinney Jason Kissane Douglas Kitchen Jane Klemmer Jeffrey Knight Richard Knight Megan Korson Thomas Koslovsky Amy Kramer John Krick Kathleen Kruse Nicholas Krzemienski Edward Kushma Arthur Kuypers Linda Labelle Todd LaChance Matthew Lagana Gina Landi Richard Langberg Sean Langley Cara Lapicola Maria LaRocca Mary Larson Andrew Laterza Linda Latta Leon Joseph LeBorgne Poh Lee Jacqueline Lee Woei Lee Bruce Legan Andrew Leggio James Lennon Louis Lenzi Lawrence Levitz Clifton Lewis Amy Lieb Sonya Linder Linda Lindh Eleanor Lipsey Gregory Lirot John Lisle Kevin Loescher John Lohrs Rodney Pierre Lomax Siobhan Lombard Denise Lorine Guy Love Zhengyuan Lu Bertha Lui-McKee Robert Lupoli Mary Lynn Kurt Macadangdang Frank MacDonald Erin Mackay Scott Madden Michael Maguire James Maitland Efrain Maldonado Francesco Mancia Joanne Mancuso Katherine Manion Denise Mann Thomas Manning Joseph Mansour Gabriel Marcovecchio Sabina Marino Angel Martin Maryann Martini Amy Mauer Litos Cheryl May Lisa McCall Sheila McCann Shaun McClelland John McDonnell Denise McGee Frank McGothigan Jim McGrane Thomas McGregor Timothy McKeon Anthony McKiernan Lisa McLaughlin Tom McLoughlin Terri McNealy Sadie McSwain William McWilliams Robert Melillo Ani Mensuroglu Michael Messer Joyce Michaux Marsha Miclat Helen Miksits Timothy Miles Howard Miller Michelle Miller Carrie Milligan Frank Minerva Jairo Molina Leslie Molina Sadhana Moondra Paul Moore Paola Moreno Janet Morley Chris Moros Marc Morris John Morris Michael Muldoon James Munekawa James Murphy Stephen Murray Theresa Murray Gerard Murray Cathleen Murray Fred Murrell Michael Murtagh Paula Musi Joan Musselbrook Sal Narciso Dan Nash Todd Navin Eric Neglia Robert Nevin Deborah Nickel Ann Nicoletti George Nielsen Michael Norris Oliver North Michael O'Brien Frances Ochoa Meghan O'Donnell Donna Oglesby Bob Ohanesian Jim O'Keefe Kathleen Okenica Patricia Olin Alexis Ong Stephanie Ontiveros Kimberly Osgood Jill Pagliei Ashwin Palekar Randy Palomba Kimbra Pannett Kelli Parker Christine Parks Eric Parsons Fred Pastore Nicole Paszkiewicz Noni-Kai Patterson Nancy Paulercio Alan Peartman Gerald Peeler Marianne Pellegrini Dave Penchoff Arthur Perlowitz Eileen Peltineo Steve Pfister Daniel Picazo Pascate Pintle John Pizzarelli Eric Popejoy Scot Post Peter Potenziani Jack Praschnik Cynthia Praschnik Andrea Prefes Armand Principato James Pugh Wendy Quartuccio Cindia Quintana Judy Radasch Jane Radocchio Kerrie Radoor Edward Rajsteter Mark Ramnarain Veda Ramsay-Stamps Andrea Randolph Kathleen Reagan Kevin Regan Jeremy Reifsnnyder Pamela Reifsnnyder Robert Reilly Charles Reilly Jeff Relkin David Rey Joshua Rezak Charles Rhyne James Richardson Kizzy Rios Loretta Rivera Angel Rivera Bolivar Robert Rivera Stephanie Rivera Pat Rizzo Brian Roark Stacy Robbins Emmeline Rocha-Sinha Lisa Rodia Omar Rodriguez Leo Roland Doreen Romans Louis Rosato Noah Rosen Eric Rosensweig Kathryn Rothberg Gail Roux Edward Ruddock Christina Rundbaken Sheryl Russell Steven Ruterman Deirdre Ryan Thomas Saccardi Shari Sacks Nazima Saleem Mary Sanders Kristine Sandvik Ridwan Sasmita Jessica Sato Eric Savino Colleen Scaglione Stephen Scanlan Joseph Schachinger Constanze Scheidl Thomas Scherer Ellen Schmall Laura Schneider Linda Scott Larry Scott Amy Scutt Lawrence Selik Joseph Sevely Robert Sheahan Steven Sherman Roger Shields Linda Shikilito John Shope Keith Shuron Carol Siefertmann Kevin Silva Kara Silva Deborah Silverman Don Simon Evangeline Simpson Veronica Sin Katherine Sincerbeaux Adithi Singh Joanne Sinopoli Susanne Slavin Marina Sloan Beth Smayda James Smiles Robert Smiley Peter Smith Deborah Smith Ayana Smith Roberta Smith Jacquelyn Smyth Mario Soberal Fran Sofo Ursula Solimine Lori Soper Victor Soto Nicholas Sourbis Lisa Spano Rachael Spisak John Springrose Stephen Starnes Kenneth Stein Julie Steincamp Cynthia Steller Robin Steward Judith Stone Eric Storch Karleen Strayer David Sugimoto Beth Sullivan Philip Sullivan Heather Sullivan Donna-Sue Swanson David Sweet Carolyn Tain Maria Tallent Yong Tan Mingsung Tang Mike Tarquinio Stephen Tartaglia Patricia Taxter Stephanie Taylor Joanne Taylor Laura Terenzi-Khaleel James Terry Eva Thein Tom Thomas Susan Thomas Debra Thompson Laura Thorne-Trawinski James Tilkes Christopher Tilley Paula Tomasini Donald Tomlin Rosanna Traina Daniel Trainor Matthew Trapp Carol Trottier Donna Turner Anton Unger Hans van den Berg Thomas Vandermark Matthew VanderVen Lisa Varalili Janis Varney Frank Venuti Maria Vero-Magnan Joan Vita Kirk Viviano Jacqueline Vlymen Susan Voltz Karen Wagner Todd Wall Maggie Walsh Richard Walz Jing Wang Mary Warde Randolph Warman Pat Warnke Toni Watson Othneil Waud Carl Webb Debra Weeks Christopher Weeks Irene Weidelman Dick Weill Nancy Weiss Ram Wertheim Rebecca Werther Linda Wessel Ellen West Stephanie Weston Ruth Whaley Bob Wheeler Ashling Whelan David White Denise White Lori White James Whitford Jr. Thomas Wilkerson Charles Williams Eric Williamson Lisa Wilson David Wilson Henry Wilson Terri Wilson Carter Winkle Dave Witthohn Edmund Woods Raymond Wosinski Melissa Wright Greg Wright Jamie Xiong Diana York Lynn Zavadi Suzanne Zelov Weidong Zhou Gail Zierk Joshua Zigmont Richard Zogheb Kimberly Zottola Gail Zubradt Mark Zucker Deborah Zurkow Patricia Abt Connie Accordino Lisa Alfieri James Allen Michael Alter Arlene Altomare Nicole Amador Eric Anderson Peter Andrew Gina Antonelli Michael Antonicelli Ana Areal John Ariola Craig Armstrong Errol Arne Christina Arneson Kristy Aston Daniel Avilabile Christopher Bade Laura Badillo Judith Baiocco Michael Ballinger Frances Banuelos Ricardo Banuelos Anna Barbara Mary Barbara Barbara Barclay Lorraine Barg Steve Barney Rebecca Barola Timothy Bartel Barry Baughier Robert Beckett Marguerite Beirne Karl Bejasa Ahmed Belal Thomas Bell Richard Bell Dinah Bellis Regina Bello Anna Bencrowsky Arlene Bent-Mutz James Berger Adam Bergonzi Beth Berman Nancy Bermudez Paul Bernier Gerry Berrigan Michael Biemer Kelli Bier Dennis Bird Cheri Bivings Amanda Blade Carol Blair Robert Blair Robert Blake Liz Blasius Jill Blazevech Wendy Bloomer Neal Blum Kim Boenheim David Boisselle Lynne Bonner Edward Bonner Amy Borst Ilda Bourasso Terry Bowens Richard Bowers David Brancale Marty Braunstein Yaquelin Brea Helen Brennan Melissa Brice-Johnson Nelly Briggs Grant Brimhall Wendy Broadbent Sue Broersma Pat Brosnan Carol Broughton Kevin Brown Jay Brown Thacher Brown Lise Bruun Karen Brylle Neil Budnick Mark Bunyee Joseph Buonadonna Catherine Burke Paul Burns Kathelene Burns Derrick Burr Audrey Calogero Michael Cambridge Jason Cameron Patricia Campbell Lori Candarelli Valerie Candrea Nicholas Canuso Jack Caouette Bill Carson Adam Carta William Carta Sal Carvo Fred Casadei Judith Casey Kerri Casey Christopher Cassel Thomas Cassidy Robert Castillo Michael Castracan Michael Cavino Judith Cavino Jason Celente Kevin Cerutti Chris Chafizadeh Stephen Chaloux Charles Chambers Polly Chan David Chappell Charlotte Cheong Toni Cheris Sammy Cheung Manuel Chevalier Lina Chew Sze Chew Andrew Chintz Stephani Chojnacki Siew Chong Pit Chong David Christiansen Rebecca Christoforou Len Chubinsky Lori Church Kelly-Ann Cima Joanne Ciralli Steven Citron Robert Claiborne John Clancy Janean Clare Joyce Clark Robyn Clarke Geoffrey Clarkson Thomas Cochran William Cody William Coleman Rosemaria Collorafi John Condo Edwin Connolly Steven Cooke Brian Cooney Christie Corbett Maryann Corse Clifford Corso Kenneth Couch Thomas Cousins David Craparo Celinda Creighton James Cronin Pauline Cullen Derrin Culp Celia Culpan Terry Cundiff Melissa Currie Salvatore D'Addio Ron Dadina Jennifer Dalton Ferdinando D'Ambrosio Kathryn D'Angio Jeffrey Daniels John Dare Stephen Dartley Leslie Davis Gary Davis Joshua Davis Suzanne Davis Karen Decker Ken Degen Sandy DeKoubia Lynne DeLaurentis Laura DeLena Maria DeMilia Michael DeNigris Debra Descloux Lauren Desharnais William DeVane Anthony DeVecchis Robert DeVecchis Edward DeVito Jamie Di Orto Debra Diachenko Gregory Diamond Richard DiArenzo Claudine Diaz James DiChiario Kimberly Dilly Lauren Martinino Anthony Dimino Kristyn Dinella Frederic Dittmann Stephen Dixon Christie Dixon Kerry Dolan Evertlena Dolman John Donaldson Mary Donovan Janine Doran David Dority Gloria D'Ottavio Stephanie Dougherty Edward Dougherty Michael Dowling Joseph Doyle Randy Dryden David Dubin Geoffrey Dudick Maureen Duffy Mohinder Dugal Matthew Dugan Rita Duggan Gary Dunton Nancy Durr Steve Eaddy Ultesa Earl Pamela Eccles Scott Eckman Teri Eckman Audra Edele Barbara Edelmann Joanne Edwards Joanne Eichenhofer Gay Eichhoff Bruce Ely Ira Epstein Richard Erickson Jeff Esraelian Lori Evangel Matthew Fanelli Felicia Fanelli Marisa Farrell Kim Fasulo Robert Faulkner Carl Favelukes Sharon Fera Gregg Ferguson Robert Fernald Pamela Fernandes Nicholas Ferreri Denise Feulner Peter Fiala Diana Fine Sara Fischer Anna Fischetti Minnie Fitchben Donna Flack Rosanne Fleury Barbara Flickinger Mary Flynn Jesse Fogarty David Frascella Daniel Frisch Ileana Fuentes Theodore Galgano Jr. Maureen Gallagher Brendan Gallagher Michele Galligan Angelique Galtwitz Richard Garay Lisa Garcia Leigh Garcia Peggy Garfunkel John Garrity Samuel Gass Andrea Gavalier Catherine Geddes Ethel Geisinger George Gephart Stephen Gibson Genevieve Gifford MaryEllen Gilroy Patricia Ginas Richard Giuffra Patricia Goldrick Sanford Goldstein Amy Gonch Melysa Gonzalez Esther Gonzalez Andrew Goodale Jennifer Gopoian Jennette Gosselein Robert Greene Richard Greenwood Jr. Aeneas Griffin Lisa Grozio Amy Gullotta Marsha Gumbs John Hall Traci Hall Stephen Halpert Dorothy Anne Hamill Douglas Hamilton Jacquelyn Hamme Robert Hancock Takayasu Hara Roger Harris Nancy Harris Donald Harrison Dana Hartman Emele Hassan Selena Hay Oddette Haynes Venetia Heintz Robert Heller Francie Heller Ken Helwig Marc Herman Ana Hernandez Daniel Hernandez Robert Herz Jacqueline Heslin Rick Hess Christine Hessling Sandra Heuer David Hoak Hai Hoang Drew Hoffman Ed Holden Stephen Holliday Denise Horbach Robert Horowitz David Hufnagel Roslyn Hume Travis Humphries Timothy Hunt Mara Huntington Francesca Hurd Brian Hynes Paul Iannone Girija Iyer Rosalie Jackson Lynn Jacobs Michael Jacobson Liz James Ed Janson Sean Jencik Paul Jennings Douglas Jensen Corey Johnson Janet Johnson David Johnson Kimberly Johnson-Cole Michael Joos Thomas Jordan Deirdre Jordan-Coleman Christopher Jumper Esther Kain Maria Kang Jasvinder Kaur Una Kearns Mark Keller Monica Keller Rosemary Kelley John Kelley Patrick Kelly James Kelly Stephen Kepes Amy Killeen Henry Kim Jake Kim Danny King Howard King Kathy Kinney Jason Kissane Douglas Kitchen Jane Klemmer Jeffrey Knight Richard Knight Megan Korson Thomas Koslovsky Amy Kramer John Krick Kathleen Kruse Nicholas Krzemienski Edward Kushma Arthur Kuypers Linda Labelle Todd LaChance Matthew Lagana Gina Landi Richard Langberg Sean Langley Cara Lapicola Maria LaRocca Mary Larson Andrew Laterza Linda Latta Leon Joseph LeBorgne Poh Lee Jacqueline Lee Woei Lee Bruce Legan Andrew Leggio James Lennon Louis Lenzi Lawrence Levitz Clifton Lewis Amy Lieb Sonya Linder Linda Lindh Eleanor Lipsey Gregory Lirot John Lisle Kevin Loescher John Lohrs Rodney Pierre Lomax Siobhan Lombard Denise Lorine Guy Love Zhengyuan Lu Bertha Lui-McKee Robert Lupoli Mary Lynn Kurt Macadangdang Frank MacDonald Erin Mackay Scott Madden Michael Maguire James Maitland Efrain Maldonado Francesco Mancia Joanne Mancuso Katherine Manion Denise Mann Thomas Manning Joseph Mansour Gabriel Marcovecchio Sabina Marino Angel Martin Maryann Martini Amy Mauer Litos Cheryl May Lisa McCall Sheila McCann Shaun McClelland John McDonnell Denise McGee Frank McGothigan Jim McGrane Thomas McGregor Timothy McKeon Anthony McKiernan Lisa McLaughlin Tom McLoughlin Terri McNealy Sadie McSwain William McWilliams Robert Melillo Ani Mensuroglu Michael Messer Joyce Michaux Marsha Miclat Helen Miksits Timothy Miles Howard Miller Michelle Miller Carrie Milligan Frank Minerva Jairo Molina Leslie Molina Sadhana Moondra Paul Moore Paola Moreno Janet Morley Chris Moros Marc Morris John Morris Michael Muldoon James Munekawa James Murphy Stephen Murray Theresa Murray Gerard Murray Cathleen Murray Fred Murrell Michael Murtagh Paula Musi Joan Musselbrook Sal Narciso Dan Nash Todd Navin Eric Neglia Robert Nevin Deborah Nickel Ann Nicoletti George Nielsen Michael Norris Oliver North Michael O'Brien Frances Ochoa Meghan O'Donnell Donna Oglesby Bob Ohanesian Jim O'Keefe Kathleen Okenica Patricia Olin Alexis Ong Stephanie Ontiveros Kimberly Osgood Jill Pagliei Ashwin Palekar Randy Palomba Kimbra Pannett Kelli Parker Christine Parks Eric Parsons Fred Pastore Nicole Paszkiewicz Noni-Kai Patterson Nancy Paulercio