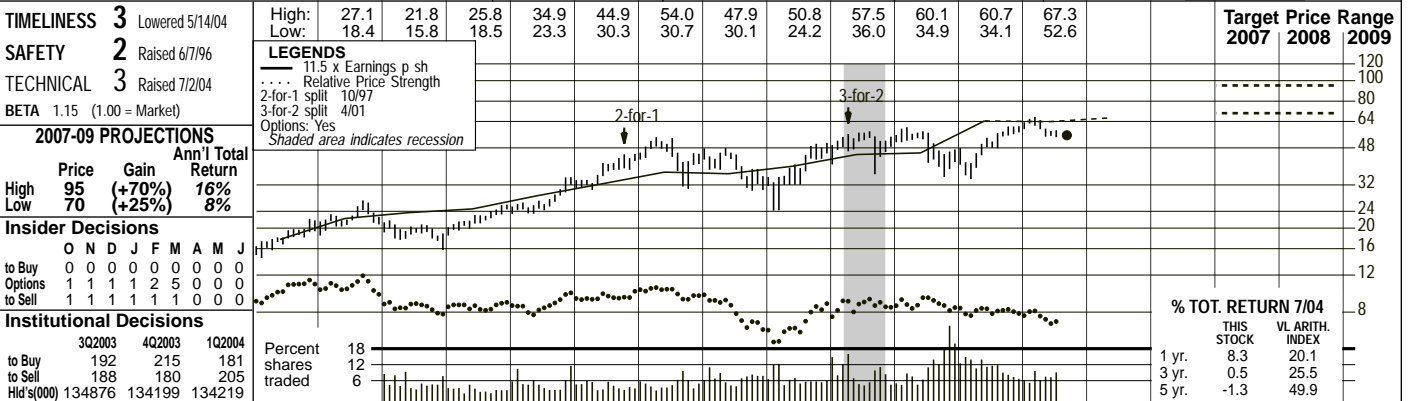


# MBIA INC. NYSE-MBI

RECENT PRICE **55.09** P/E RATIO **9.9** (Trailing: 10.1 Median: 12.0) RELATIVE P/E RATIO **0.57** DIV'D YLD **1.7%** VALUE LINE



1988	1989	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	© VALUE LINE PUB, INC.	07-09
.73	.83	.93	1.14	1.29	1.84	1.75	1.71	1.94	2.22	2.84	2.97	3.02	3.45	4.07	5.09	5.50	5.80	Premium Inc per sh <sup>A</sup>	6.60
.60	.72	1.00	1.16	1.29	1.50	1.55	1.74	1.91	2.10	2.22	2.41	2.66	2.72	2.99	3.04	3.10	3.15	Investment Inc per sh <sup>A</sup>	3.45
.82	.91	1.11	1.25	1.54	1.93	2.06	2.14	2.48	2.81	3.21	3.15	3.41	3.88	3.95	5.61	5.55	5.80	Earnings per sh <sup>B</sup>	7.00
.06	.14	.16	.21	.25	.31	.38	.43	.48	.51	.53	.54	.55	.60	.68	.77	.88	.92	Div'ds Decl'd per sh <sup>C</sup>	1.10
6.27	7.03	8.12	9.19	10.98	12.73	13.65	17.73	19.09	22.72	25.39	23.53	28.57	31.47	37.94	43.50	46.25	50.70	Book Value per sh	61.65
112.41	110.52	114.81	115.67	125.86	125.44	124.85	126.01	129.88	134.19	149.35	149.33	147.85	151.95	144.77	143.88	146.00	147.00	Common Shs Outst'g <sup>D</sup>	150.00
92%	125%	130%	130%	166%	176%	141%	125%	142%	165%	178%	165%	133%	161%	131%	114%	115%	160%	Price to Book Value	145%
7.1	9.6	9.5	9.6	11.8	11.6	9.4	10.3	10.9	13.3	14.1	12.3	11.1	13.1	12.6	8.9	8.0	8.0	Avg Ann'l P/E Ratio	11.5
.59	.73	.71	.61	.72	.69	.62	.69	.68	.77	.73	.70	.72	.67	.69	.52	.52	.52	Relative P/E Ratio	.75
1.1%	1.6%	1.5%	1.7%	1.4%	1.4%	2.0%	1.9%	1.8%	1.4%	1.2%	1.4%	1.4%	1.2%	1.4%	1.5%	1.5%	1.5%	Avg Ann'l Div'd Yield	1.2%

CAPITAL STRUCTURE as of 6/30/04																											
Total Debt \$1077.6 mill. Due in 5 Yrs \$58.8 mill.																											
LT Debt \$1018.9 mill. Total Interest \$50.0 mill.																											
				(14% of Cap'l)																							
Leases, Uncapitalized None																											
No Defined Benefit Pension Plan																											
Pfd Stock None																											
Common Stock 143,249,317 shs. as of 7/23/04																											
MARKET CAP: \$7.9 billion (Large Cap)																											
FINANCIAL POSITION (SMILL)				2002		2003		6/30/04																			
Bonds				15527.3		17391.0		17897.9																			
Other				3324.8		12876.7		12009.6																			
Total Assets				18852.1		30267.7		29907.5																			
Unearned Prems				2755.0		3079.9		3151.3																			
Reserves				573.3		559.5		511.3																			
Other				10030.5		20369.3		19946.5																			
Total Liab'ties				13358.8		24008.7		23609.1																			

**BUSINESS:** MBIA Inc. is engaged primarily in providing financial guarantees for municipal bonds, asset-backed and mortgage-backed securities, selected corporate debt, and high-quality debt of financial institutions. MBIA provides these services both in the new issue and secondary markets, domestically and internationally. MBIA also provides investment management products and consulting services to the public sector. Acquired CapMAC Hdgs. (2/98), Acq. 1838 Investment Advisors (7/98). Officers & directors own 3.7% of common stock; Wellington Management Co., 13.0%; (4/04 Proxy). Has about 600 employees, 505 stockholders. Chrmn. and CEO: Joseph W. Brown, Jr. Address: 113 King St., Armonk, N.Y. 10504. Tel.: (914) 273-4545. Internet: www.mbia.com.

ANNUAL RATES	Past 10 Yrs.	Past 5 Yrs.	Est'd '01-'03 to '07-'09
of change (per sh)	11.5%	12.5%	10.0%
Premium Inc	8.5%	7.0%	3.0%
Invest Income	11.0%	9.5%	7.5%
Dividends	10.0%	6.0%	8.5%
Book Value	13.0%	11.0%	8.5%

Cal-endar	QUARTERLY INCOME (\$ mill.) <sup>E</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2001	266.8	284.2	287.8	290.1	1128.9
2002	287.8	290.0	313.2	314.0	1205.0
2003	406.3	408.4	368.4	367.4	1550.5
2004	360.9	365.9	393.2	400	1520
2005	380	400	400	410	1590

Cal-endar	EARNINGS PER SHARE <sup>B</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2001	.90	.95	1.01	1.02	3.88
2002	.98	1.02	1.11	.84	3.95
2003	1.54	1.51	1.31	1.25	5.61
2004	1.42	1.48	1.30	1.35	5.55
2005	1.40	1.45	1.45	1.50	5.80

Cal-endar	QUARTERLY DIVIDENDS PAID <sup>C</sup>				Full Year
	Mar.31	Jun.30	Sep.30	Dec.31	
2000	.137	.137	.137	.137	.55
2001	.137	.15	.15	.15	.59
2002	.15	.17	.17	.17	.66
2003	.17	.20	.20	.20	.77
2004	.20	.24	.24		

**MBIA is seeing solid growth in earned premiums.** While new business is coming in a tad slower than last year (down about 11%), a reduction in ceded premiums (picked up by reinsurance companies) and the large growth in recent years' operations have kept net earned premiums on an upward trend. Admittedly, the lackluster new business results are a concern, but management is optimistic that the remainder of this year will see a big improvement here. Also, we note that there was a pickup in refunding premiums as low interest rates spurred refinancings. But, all told, we think that MBIA is in a fine position to accelerate its gross written premiums soon.

**Our earnings presentation is somewhat complex.** Results include the refundings brought on by refinancings (a volatile component) as well as realized capital gains and losses. Additionally, changes in the company's derivative portfolio flow through the income statement. And, although it is not cash earned, the company uses its derivative positions to hedge its risks. The value of these securities changes as spreads and interest

rates change. In fact, movements in these variables, as happened in 2002's fourth quarter, can cause a big swing in GAAP earnings. In the second quarter, earnings from operations, ex all of the above, tallied \$1.19.

**There are a few favorable aspects to MBIA's business.** Receiving money up front for a potential payout down the road can be very lucrative. So it has been with MBIA, as the company has been careful with its underwriting, focusing, in part, on insuring municipal obligations, which often are backed by the taxing power of the municipality. Further, the long payout period for defaults is attractive from an investment standpoint.

**Share buybacks are likely to continue.** Management figures that the company is overcapitalized by about \$500 million, and plans on using some of the funds for share repurchases. Indeed, MBIA has already bought back some two million shares this year. We applaud the use of capital. Further efficient use of funds will only serve to enhance MBIA's long-term returns.

**These shares are unexciting.**  
John Koller August 27, 2004

(A) Net Earned Premiums. (B) Dil. egs. Prim. egs. through 1996. Inc. net real. egs. through '98, excludes til '03. From '03 incl. options expense, NRG/L, and refunded prems. Excl. non-recur. gns. (losses): '98, (\$0.33); '99, (\$1.13). Next egs. report due in Oct. (C) Dividends historically paid mid Jan., April, July, and Oct. (D) In mill., adj. for splits. (E) Total revs., incl. NRG/L til '98 and start. in '03. May not be sum of inc. accts. due to rounding.

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