



Commercial Real Estate at MBIA November 5, 2008



- *All data included within this presentation reflects the position as September 30, 2008 unless otherwise stated*

Safe Harbor Disclosure

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

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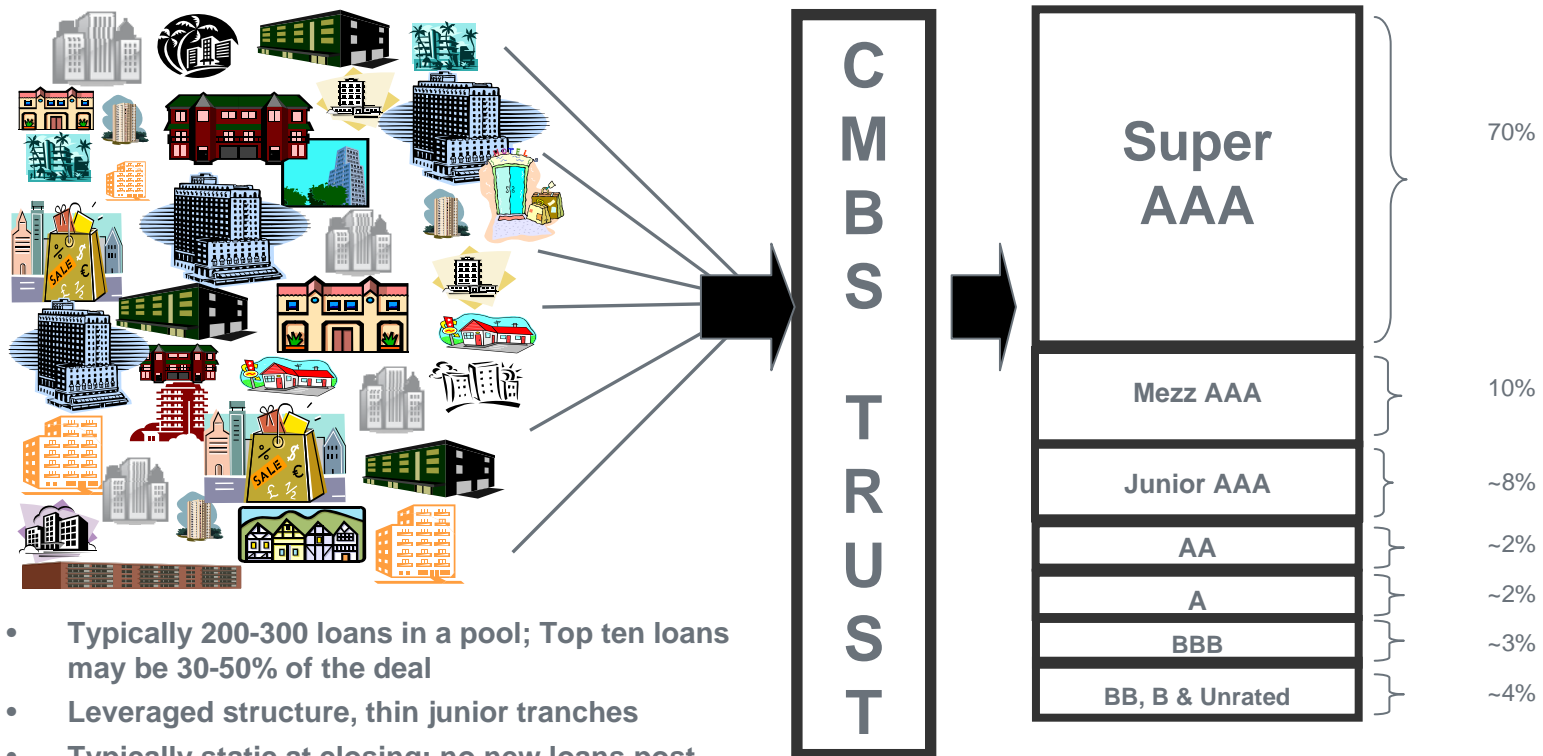
Commercial Mortgage Backed Securities (CMBS) and Commercial Real Estate (CRE) Fundamentals

Typical Commercial Real Estate Loan Well Structured to Conservative Standards



- Mortgage on an INCOME producing property
 - Office: downtown & suburban location buildings
 - Retail: local shopping centers & regional malls
 - Multifamily: apartment high-rises & garden style complexes
 - Hotels: limited service & 5-star establishments
 - Industrial: warehouses & distribution facilities
- Properties located throughout the world's major economies
- Borrowers include REIT's, developers, professional real estate management companies, and small local investors
- Loan typically between 70-80% of the appraised value
- Property cash flow typically 120-140% of debt service
- Loan amount ranges from \$1 million to over \$200 million
- Primarily ten year, fixed interest rate loans with bullet maturities
 - transitional floating rate market
- Limited prepayment optionality
- Major loan originators in recent years have included Bank of America, CIBC, Citigroup, Credit Suisse, Deutsche Bank, Eurohypo, JP Morgan Chase, Lehman Brothers, Merrill Lynch, Morgan Stanley, and Wachovia.

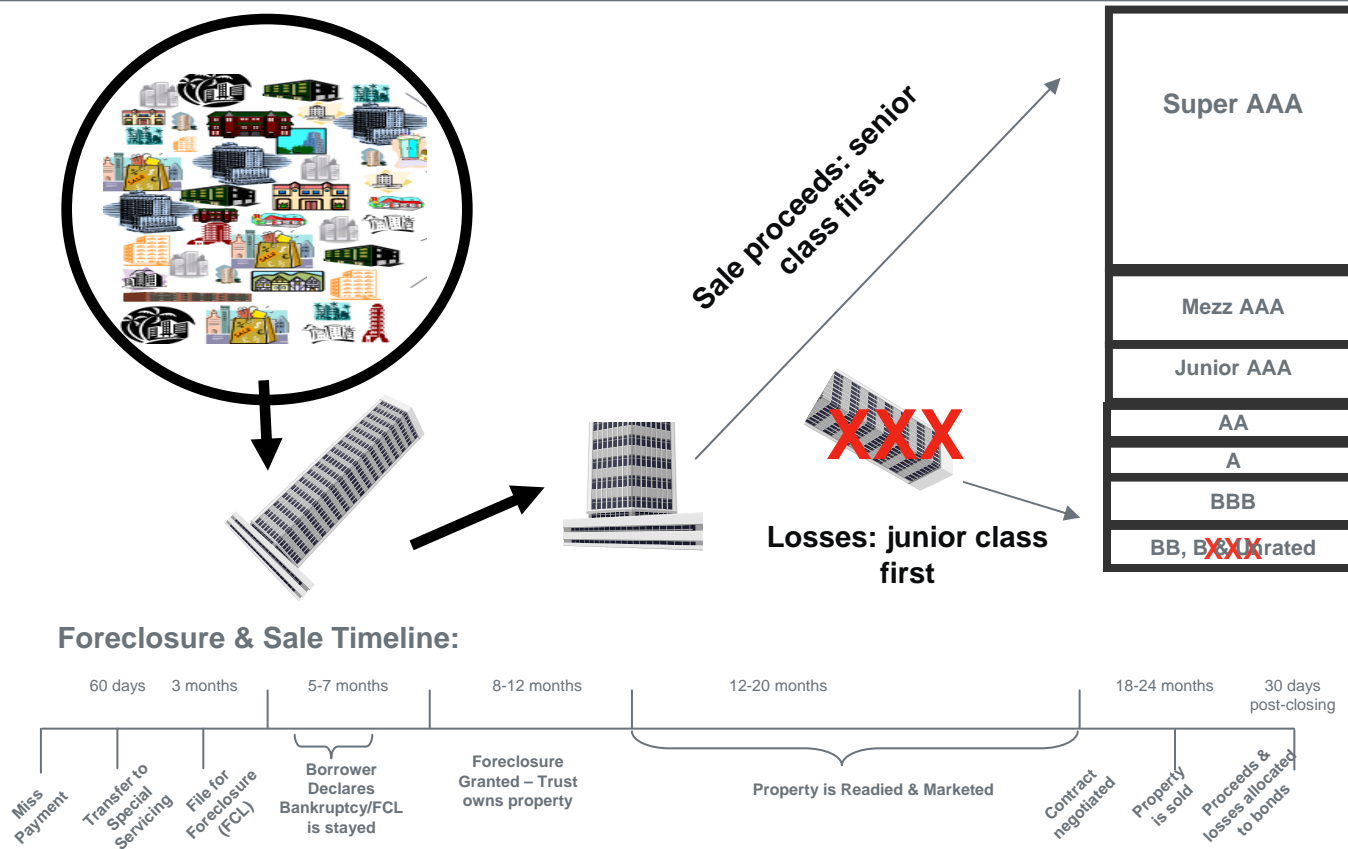
Commercial Mortgage Backed Securities Pools of Loans packaged into a Single Structure



- Typically 200-300 loans in a pool; Top ten loans may be 30-50% of the deal
- Leveraged structure, thin junior tranches
- Typically static at closing: no new loans post-securitization
- All principal and interest typically paid sequentially according to relevant principal and interest waterfalls; typical waterfall directs cash flow to the senior most class until retired, then to the next most senior class etc.

Allocation of Loan Repayments and Losses

Strict Priority of Payments



- Principal and interest are typically paid sequentially: senior class first
- Losses are allocated in reverse sequential order: most junior class first

Analyzing Commercial Real Estate Lending Exposures

CRE Loan Analysis

Key Considerations

- Real Estate Analysis
 - Geographic location
 - Property type, purpose, life and alternative uses
 - Borrower profile
 - Tenant profile and analysis including lease terms and optionality
 - Cash flow analysis
 - Property valuation - market, stressed, capitalization rates, and future outlook
 - Maintenance requirements and costs
- Loan terms
 - Interest rate
 - Covenants
 - Lender and borrower rights
 - Prepayment rights

CMBS Analysis

Key Portfolio Considerations

- Review of composite CRE loans and risks
- Review of significant loans in any CRE related pool as deemed appropriate
- Analyze “overlaps” within the portfolio of loans
 - Tenant concentrations
 - Geographic concentrations
 - Property type concentrations
 - Borrower concentrations
- Employ third party analytical tools for loan level and structure diagnostics
 - Comprehensive coverage of the CRE market
- Overlay third party analytics with results from MBIA analysis
- Review of REIT debt securities and other collateral in all pools
- Review CMBS documentation

Pooling CRE Related Exposures

Further Considerations

- Static transactions
 - Creates certainty regarding portfolio composition
 - Further concentration analysis on entire pool of CRE related exposure
- Managed transaction criteria
 - Comprehensive review of manager strengths and weaknesses
 - Defined investment criteria to establish shape of portfolio over time
 - Enables portfolio concentrations to be broadly defined according to MBIA risk appetite, reflecting manager strengths and weaknesses
 - Formulate criteria for evaluating manager performance
 - Establish structural triggers to govern cash flows under stressed scenarios; also allows for manager replacement
 - Evaluate manager alignment of interest with senior risk taker

MBIA Insured Commercial Real Estate Portfolio

MBIA Insured CRE Related Portfolio

Three Distinct Transaction Types

- MBIA's portfolio of pooled Commercial Real Estate transactions are categorized into three portfolios:
 - **Structured CMBS Pools** (*static pools*) **\$33.0 billion net par**
 - **CRE CDOs** (*managed pools*) **\$9.7 billion net par**
 - **CRE Loan Pool** **\$5.6 billion net par**
- Diversified global portfolio of highly-rated structured transactions
 - Deals primarily contain collateral from the commercial real estate sector
 - Credit protection sizing for Structured CMBS pools and CRE CDOs reflects underlying collateral ratings and structural attributes

Insured Structured CMBS Pool Portfolio

Structured CMBS Pools

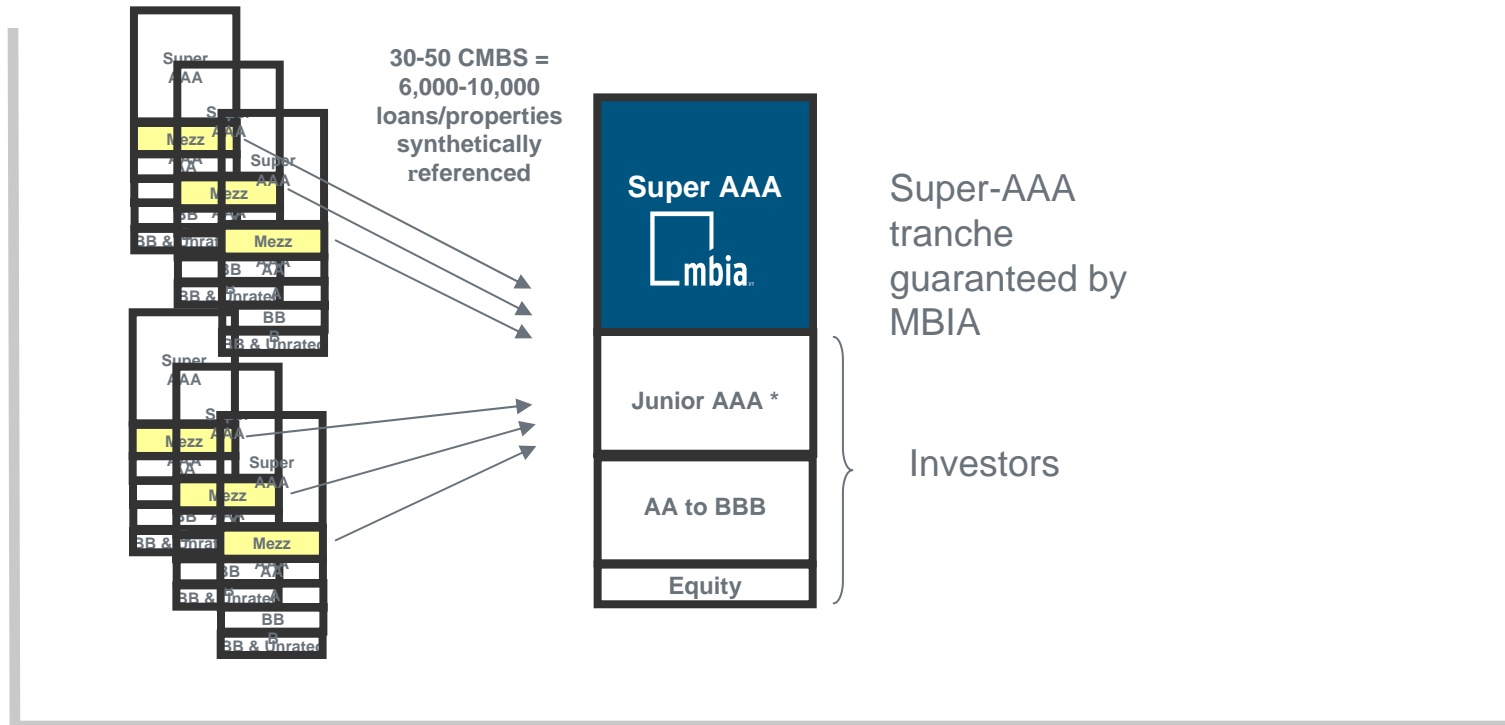
Static Pools of Diverse Reference Collateral

- Credit Default Swap (CDS) execution: 96%
 - Financial Guaranty execution: 4%
- MBIA insures transactions with a Triple-A (or a multiple of Triple-A) level of credit protection
 - MBIA's guaranty covers losses on collateral assets once a deductible has been eroded for over 95% of transactions
- Static transactions: no portfolio trading or replenishment
- Collateral typically comprises a portfolio of CMBS; these CMBS are supported by a diversified pool of U.S. CRE loans
 - Typically 30-50 different CMBS
 - Each CMBS typically comprises some 200 plus CRE loans

Sample Transaction

Diversified Collateral with Super Senior Attachment

CMBS Pool Structure

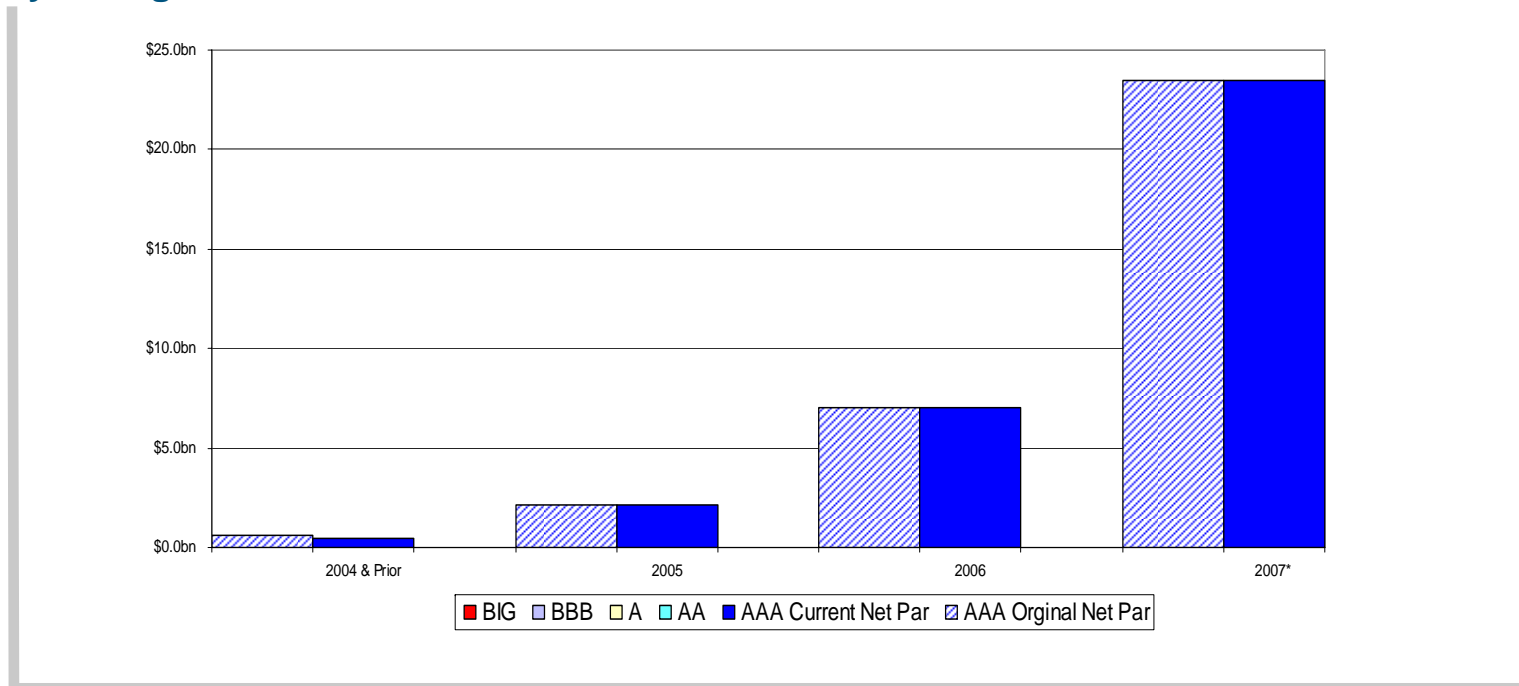


- Credit enhancement varies based on underlying collateral

* MBIA has insured junior triple-A rated tranches on occasion

Rating Profile of MBIA's Exposure by Vintage Triple-A at Origination and September 30, 2008

Rating Profile of MBIA's Exposure by Vintage



- Exposure originated with a triple-A, or multiple of triple-A attachment
- Approximately 71% of exposure originated during 2007
- Only 19% of referenced CMBS originated during 2007

* Current net par exposure may exceed original net par exposure due to subsequent reversals of reinsurance and/or fluctuations of foreign exchange rates

Collateral Vintage & Rating Concentration Analysis Focus on Investment Grade CMBS

	Year Collateral Originated					Total	Indicative Attachment Range*
	Pre 2005	2005	2006	2007			
AAA	8.3%	1.9%	13.3%	9.5%	33.0%	5%-10%	
AA	0.5%	0.0%	0.5%	1.4%	2.4%	14%-16%	
A	1.2%	3.3%	9.2%	2.1%	15.8%	17%-20%	
BBB	3.3%	7.8%	20.2%	4.3%	35.6%	30%-35%	
<BB+	4.1%	3.6%	4.3%	1.2%	13.2%	70%-80%	
Total	17.4%	16.6%	47.5%	18.5%	100.0%		

	Pre 2005	2005	2006	2007	Outstanding at 9/30/08
Insured Net Par	\$0.4 bn	\$2.1 bn	\$7.0 bn	\$23.5 bn	\$33.0 bn

- Majority of book originated in 2006 and 2007 but underlying collateral was originated in earlier years, creating seasoning benefits
- 95% of the underlying reference collateral are CMBS with only 2% exposure to in CRE CDOs
- More recent collateral weighted increasingly towards triple-A rated CMBS

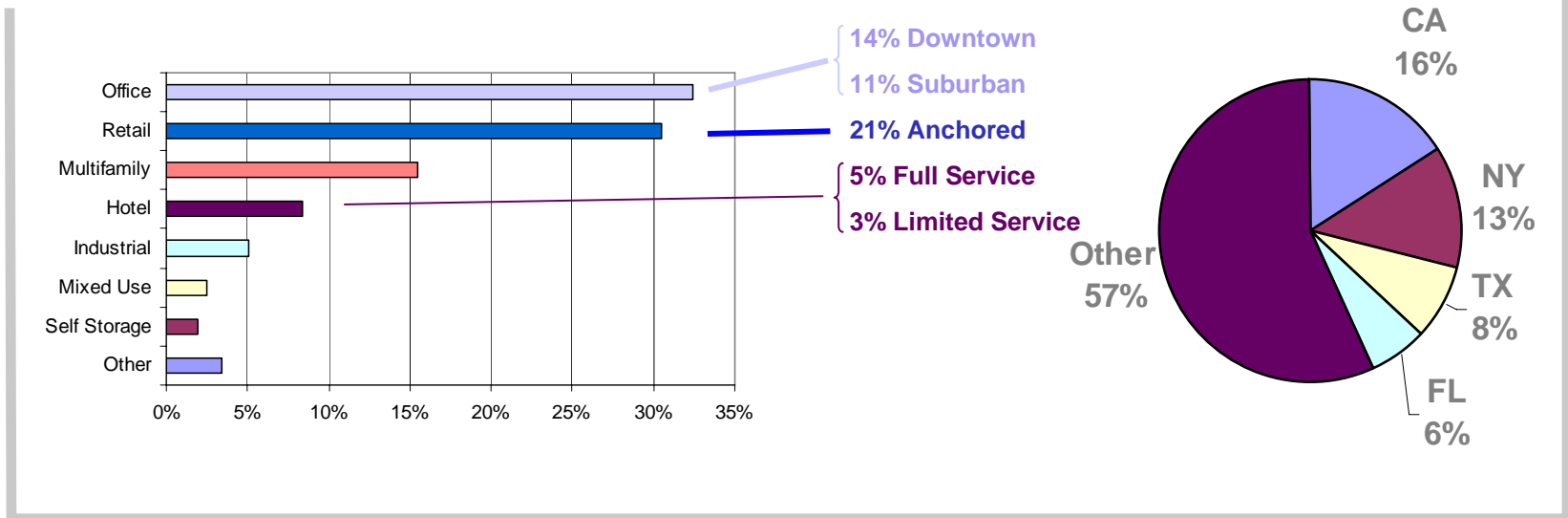
* Attachment range is indicative and reflects rating of the majority of the reference collateral; some transactions feature collateral from lower and higher rating bands

Structured CMBS Pools

Key Collateral Characteristics

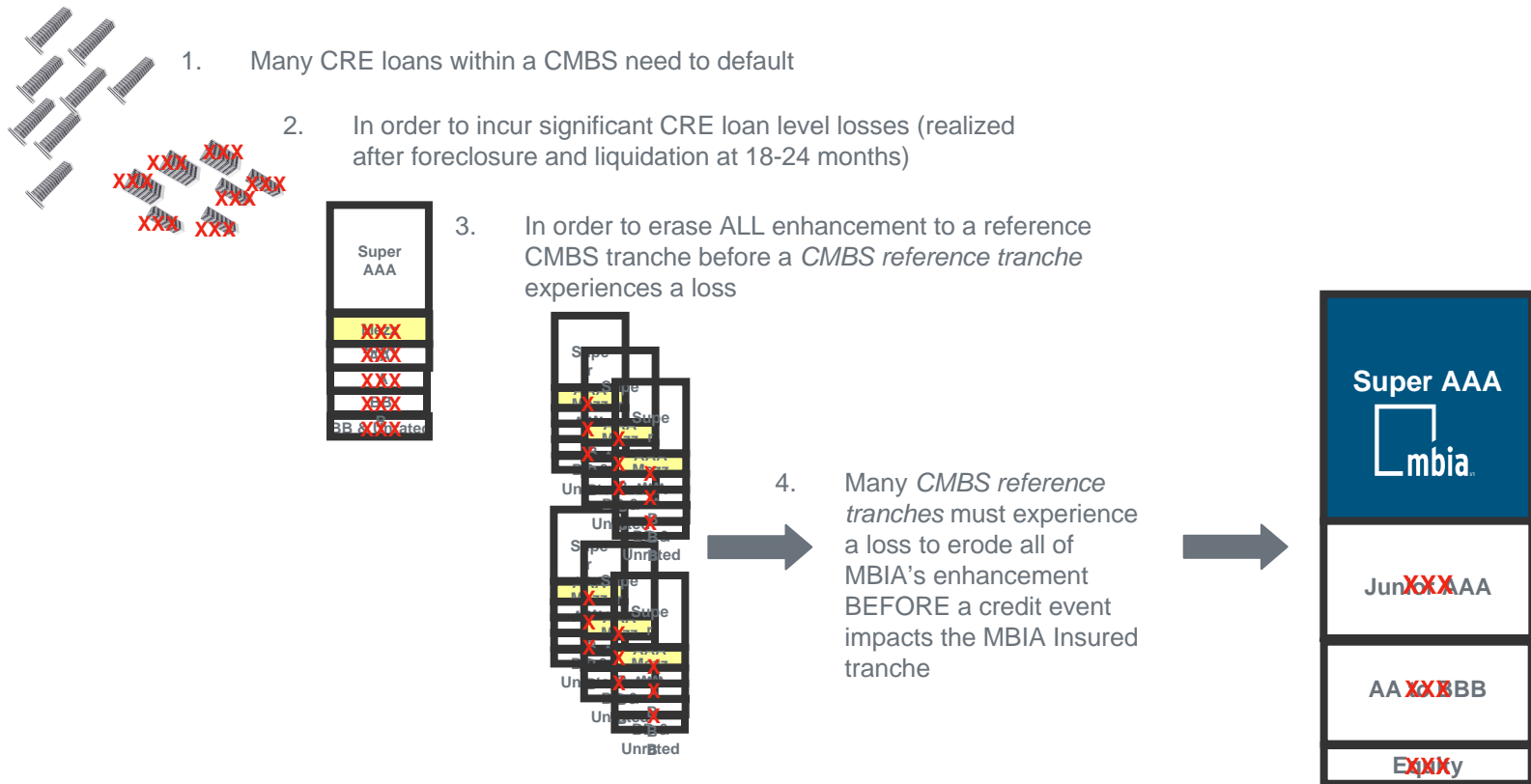
- Referenced CMBS supported by 56,000+ 10-year, fixed rate loans
- Weighted Average Loan to Value 68.2%; only 1.4% >85% LTV
- Weighted Average Debt Service Coverage Ratio of 1.58x; only 13.1% <1.10x
- Portfolio exposure (by geography and property type) broadly reflects United States CRE loan market by value and property type
- Further collateral description is featured with MBIA Inc.'s 10Q filings and within the Appendix to this presentation

Structured CMBS Pool Composition



Loss Allocation Methodology

Significant Protection for MBIA Insured Tranche



- For MBIA to incur a loss, multiple loan level losses will need to occur to erode the subordinate “deductible” tranche(s) enhancing MBIA’s insured risk
- Loss claims, to the extent applied to MBIA’s insured tranche, only affect the insured tranche for the incremental amount of the loss claim

Insured Managed CRE CDO Portfolio

CRE CDOs

Managed pools of CRE Related Collateral

- **84% executed via CDS**
 - Remaining 16% via Financial Guarantee
- **Primarily structured with Triple-A, or a multiple of Triple-A credit support protection**
- **Cash flow transactions**
- **Underlying assets are primarily related to commercial real estate:**
 - Large concentrations of CMBS (like the static pooled CMBS transactions previously described)
 - Whole loans, B-Pieces, mezzanine loans, ABS, RMBS and limited allocations to other collateral
- **Managed transactions**
 - Manager personnel with experience in relevant fields of real estate finance
 - Extensive MBIA due diligence of lead manager
 - Each transaction unique, tailored to the manager's skill set
 - Consideration given to manager's alignment of interest with MBIA
 - Fee structure
 - Manager retention of subordinate risk
 - Defined reinvestment period
 - Managers can be replaced if transaction under-performing at MBIA's option

CRE CDOs

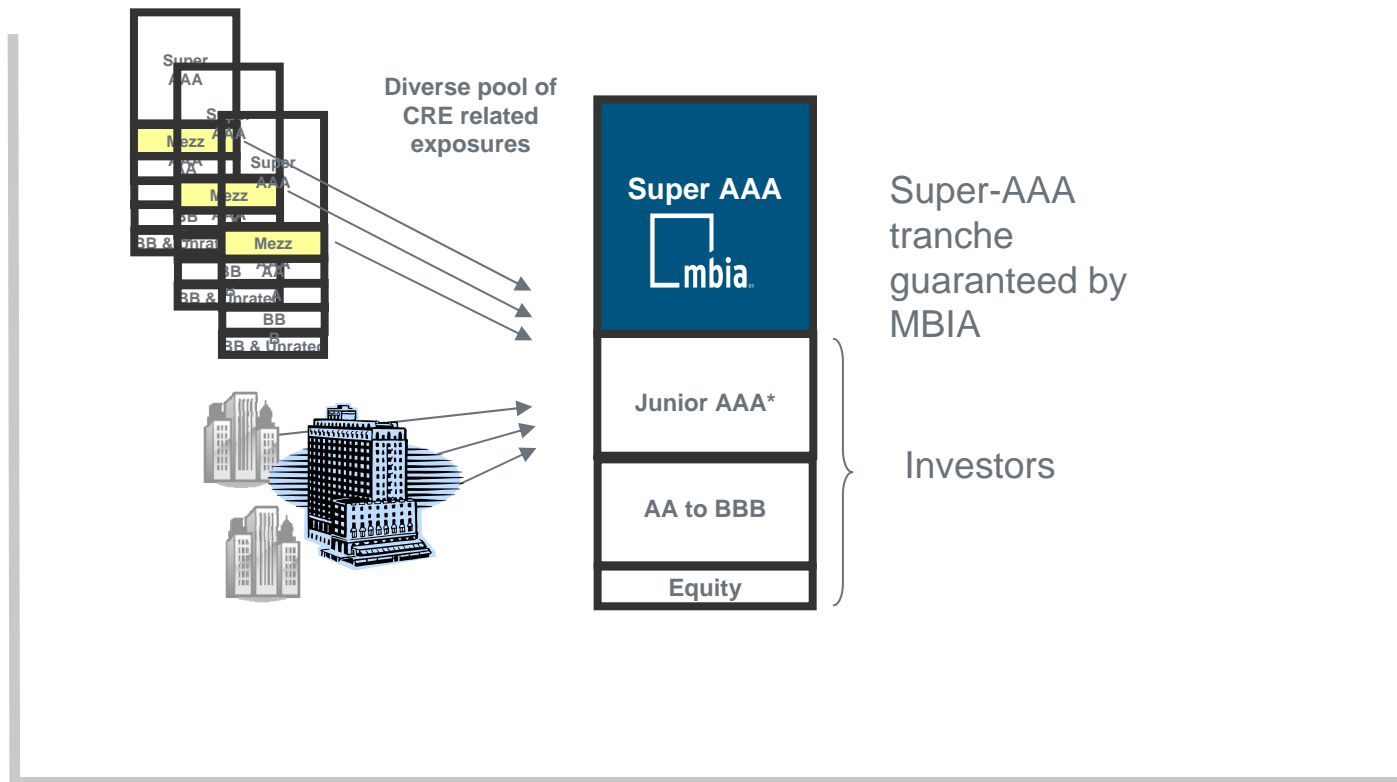
Managed pools of CRE Related Collateral

- Structures feature multiple layers of protection
 - Credit enhancement
 - Reinvestment criteria
 - Interest Coverage (IC) and Over-collateralization (OC) tests
 - Cash flow diversion triggers to protect senior class if coverage tests are failed
 - Events of Default, rights to replace manager and/or liquidate collateral
 - 98% of CRE CDOs have a *timely* interest & *ultimate* principal payment obligation guarantee
- Principal may be allocated sequentially or pro rata depending upon the transaction specifics, while triggers are established which may impact the prioritization of principal and interest depending upon transaction performance

Sample Transaction

Diversified Collateral with Super Senior Attachment

CRE CDO Structure

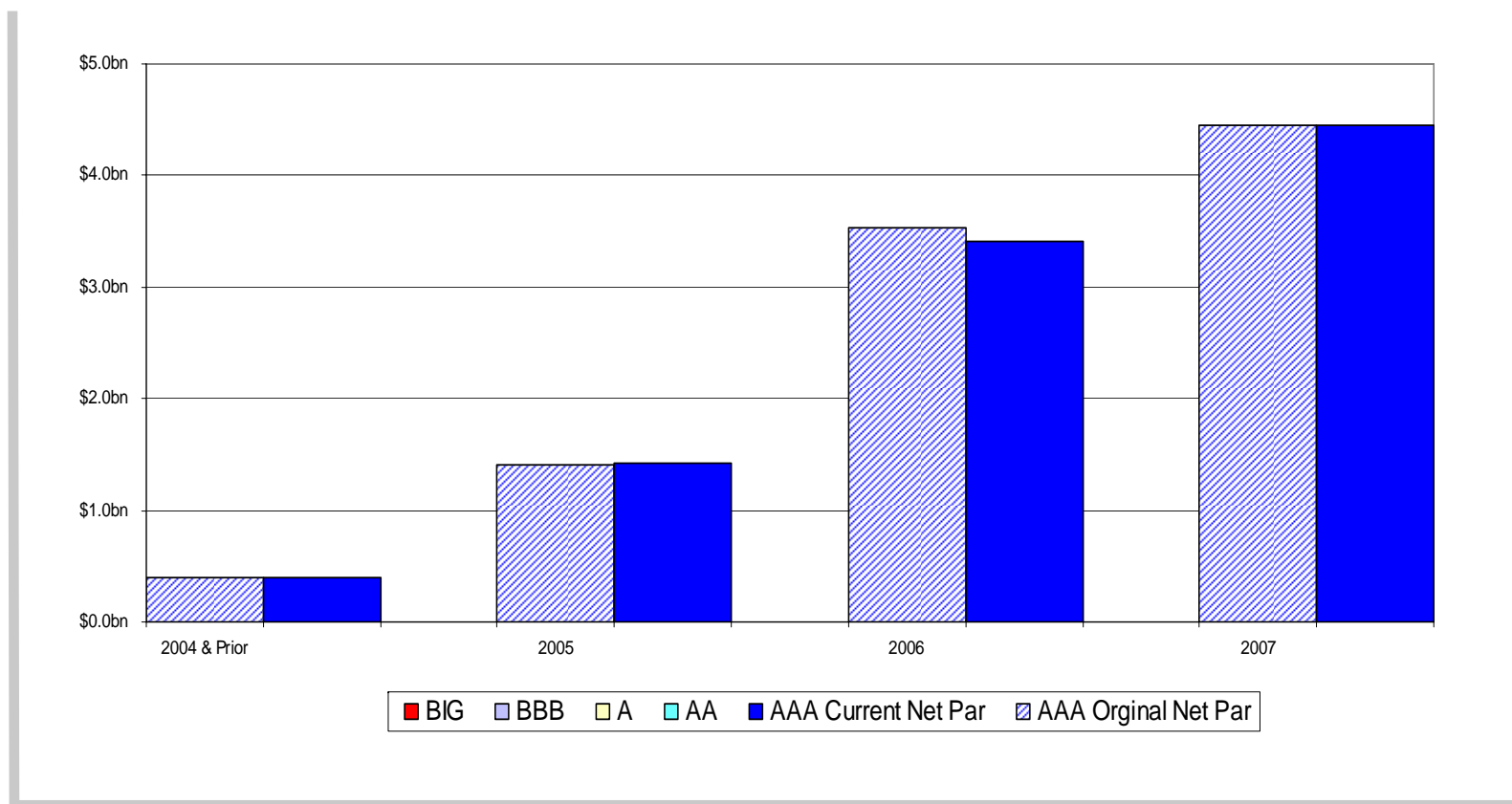


- Credit enhancement varies based on underlying collateral

** MBIA has insured junior triple-A rated tranches on occasion.*

Rating Profile of MBIA's exposure Primarily Triple-A

Focus on Triple-A Attachment



* Current net par exposure may exceed original net par exposure due to subsequent reversals of reinsurance and/or fluctuations of foreign exchange rates

CRE CDOs

Key Collateral Characteristics

- Collateral Composition:
- 48.6% CMBS
- 33.5% CRE Loan
- 7.0% REIT bonds
- 5.5% ABS & RMBS
- 5.4% CDO & Re-remic

Managed CRE CDO - CMBS Collateral Breakout

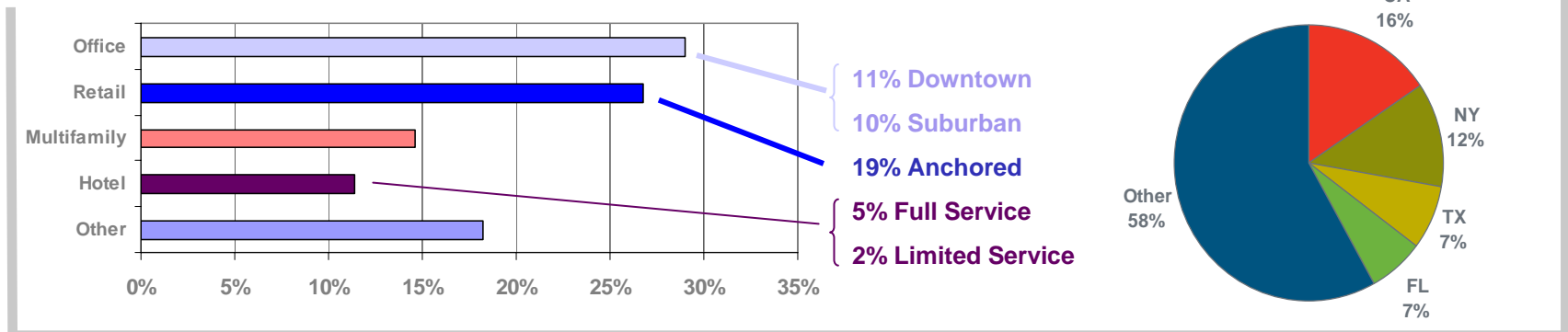
	Pre 2005	2006	2007	2008	Total
AAA	0.7%	3.0%	6.9%	0.10%	9.7%
AA	0.9%	0.2%	0.8%	0.0%	1.8%
A	2.2%	1.0%	2.8%	0.0%	6.0%
BBB	31.0%	24.8%	5.9%	0.0%	61.8%
<BB+	10.9%	8.0%	1.7%	0.0%	20.6%
Total	45.7%	36.1%	18.1%	0.1%	100.00%

CMBS within CRE CDOs is substantially similar in profile to the CMBS in the static pooled CMBS transactions:

- WA LTV = 68.0%; WA DSCR = 1.59x

Further collateral description is featured with MBIA Inc.'s 10Q filings and within the Appendix to this presentation

CRE CDO CMBS Collateral Composition

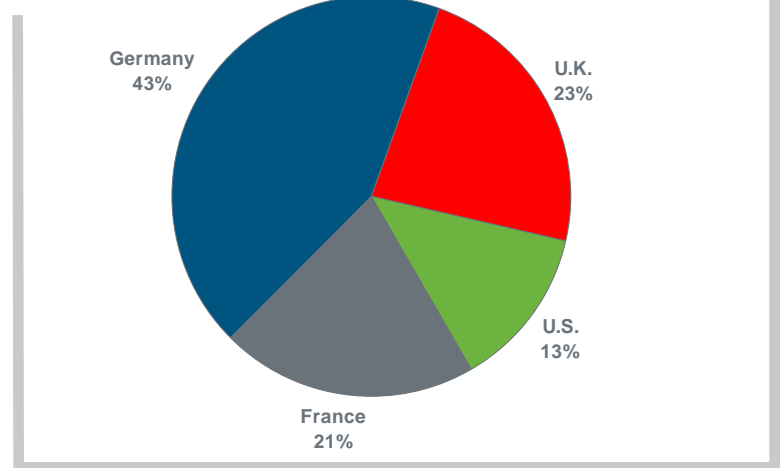


Commercial Real Estate Loan Pools

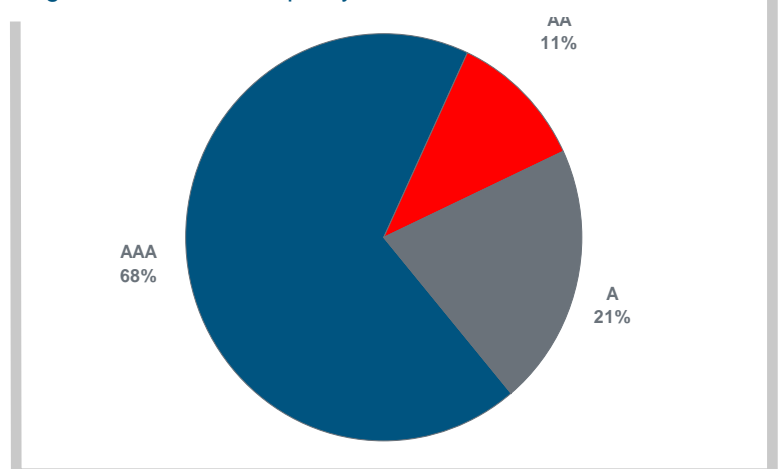
CRE Loan Pools Global Portfolio

- **Seventeen transactions comprising primarily European collateral**
 - Loans secured by multiple properties
 - Majority of MBIA's exposure rated AAA
- **Typical European collateral transaction intended to provide regulatory capital relief and/or balance sheet management for large German banks**
- **Two multi-family housing transactions backed by multiple rental units located throughout the United States (\$38 Million NPO) and Germany (\$1.6 Billion NPO)**
- **56% executed via CDS execution**
 - 44% via Financial Guarantee execution

Global Portfolio



High uninsured credit quality



MBIA CRE Market Overview

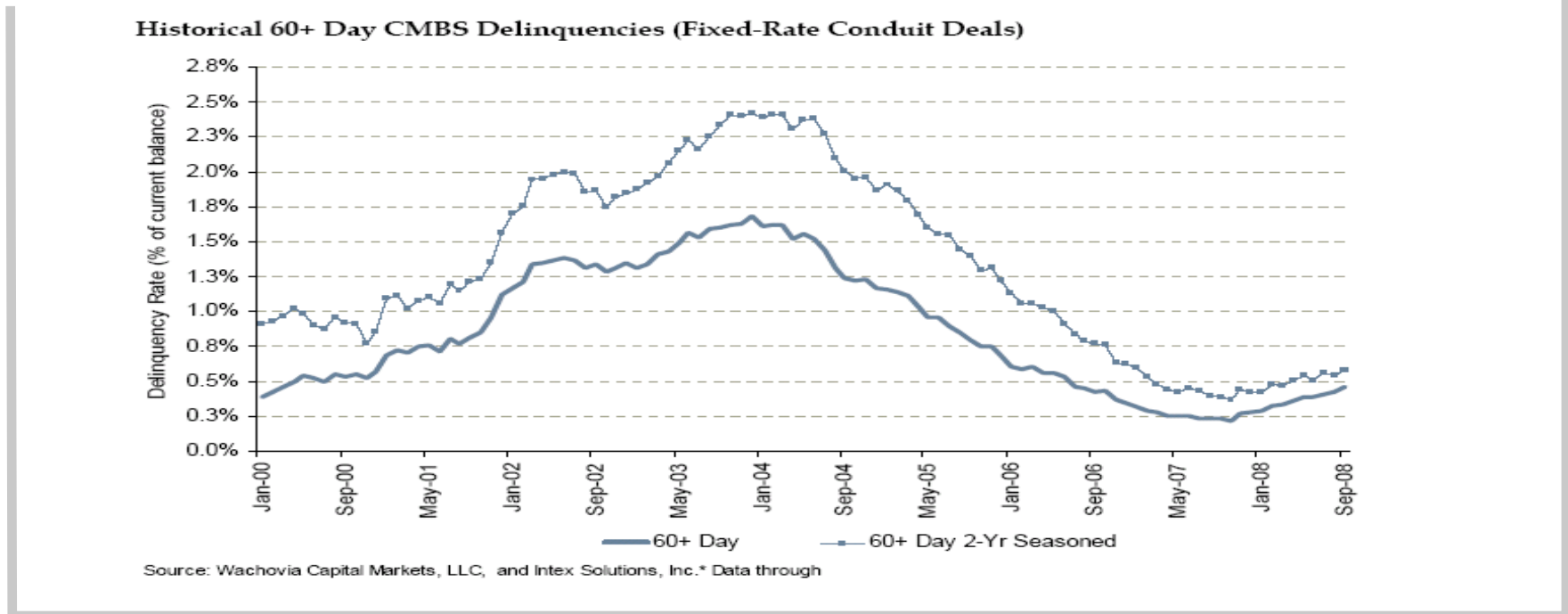
MBIA Insured CRE Related Portfolio Performing within Expectations

- MBIA insured CRE portfolio performance is satisfactory
 - Weighted Average 45bps of delinquencies across underlying CMBS collateral
 - Real estate market fundamentals were strong as downturn commenced, although we expect a weakening (i.e. higher vacancies)
 - Delinquencies remain close to historic lows, but rising
- Portfolio Trend
 - MBIA performs regular portfolio strength testing
 - Loan level stress analysis to identify weaker transactions
 - Economic conditions give rise to heightened cash flow stress
 - Delinquencies likely to rise over coming few years
- Volatile market conditions
 - Market spread levels/CMBX trading remain at very weak levels
 - Bank and market illiquidity causing strained capital supply
 - Interest rate outlook remains uncertain
- Capitalization Rates
 - Provides context on where the real estate market is heading

CMBS – Current Performance as of September 30, 2008 Delinquencies Rising but from Record Lows

- MBIA structured CMBS pooled transactions: 0.45% 60+ days delinquent

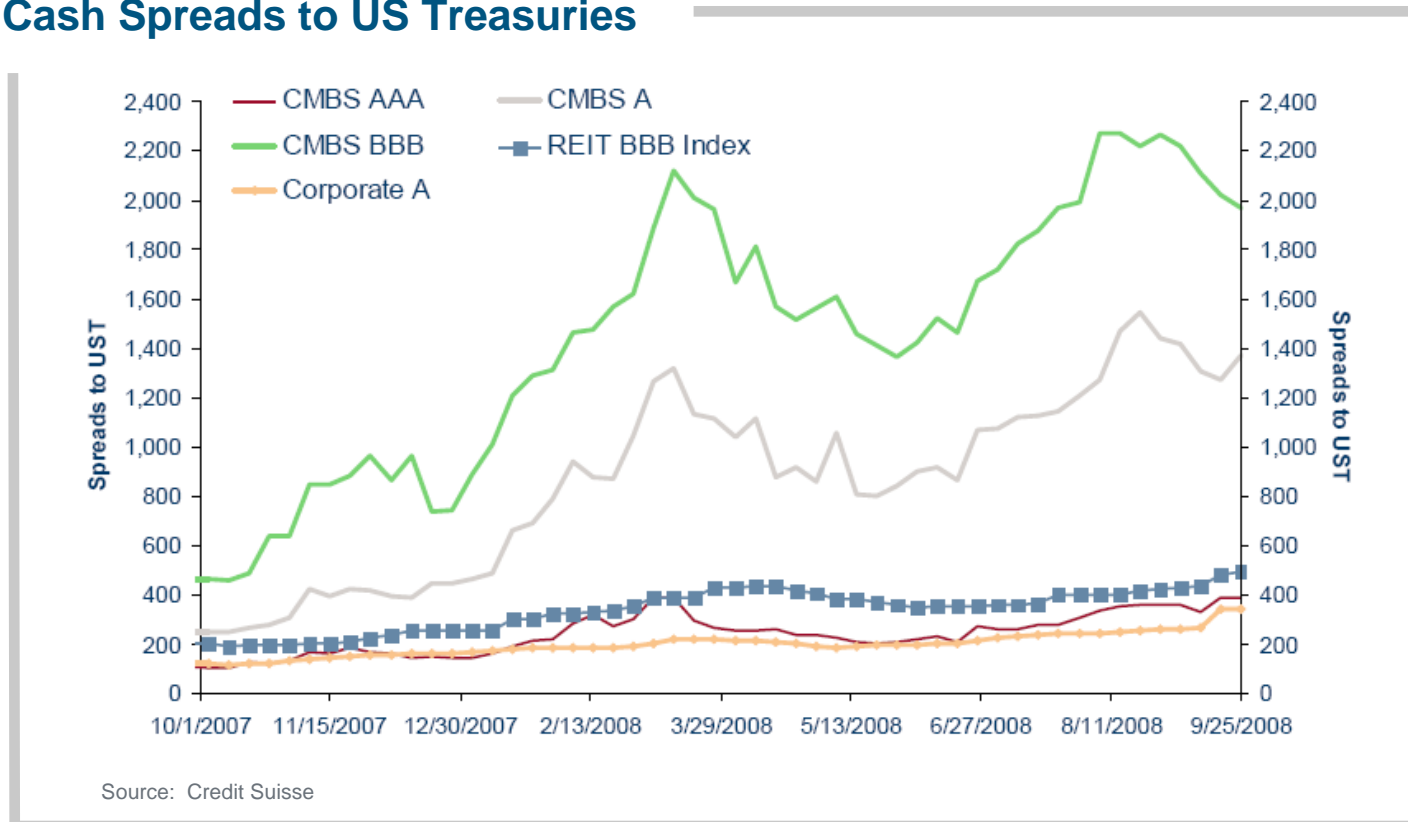
Conduit Market: Currently 0.48% 60+ Days Delinquent



CRE Market Spreads

Volatile but not due to Real Estate Fundamentals

Cash Spreads to US Treasuries

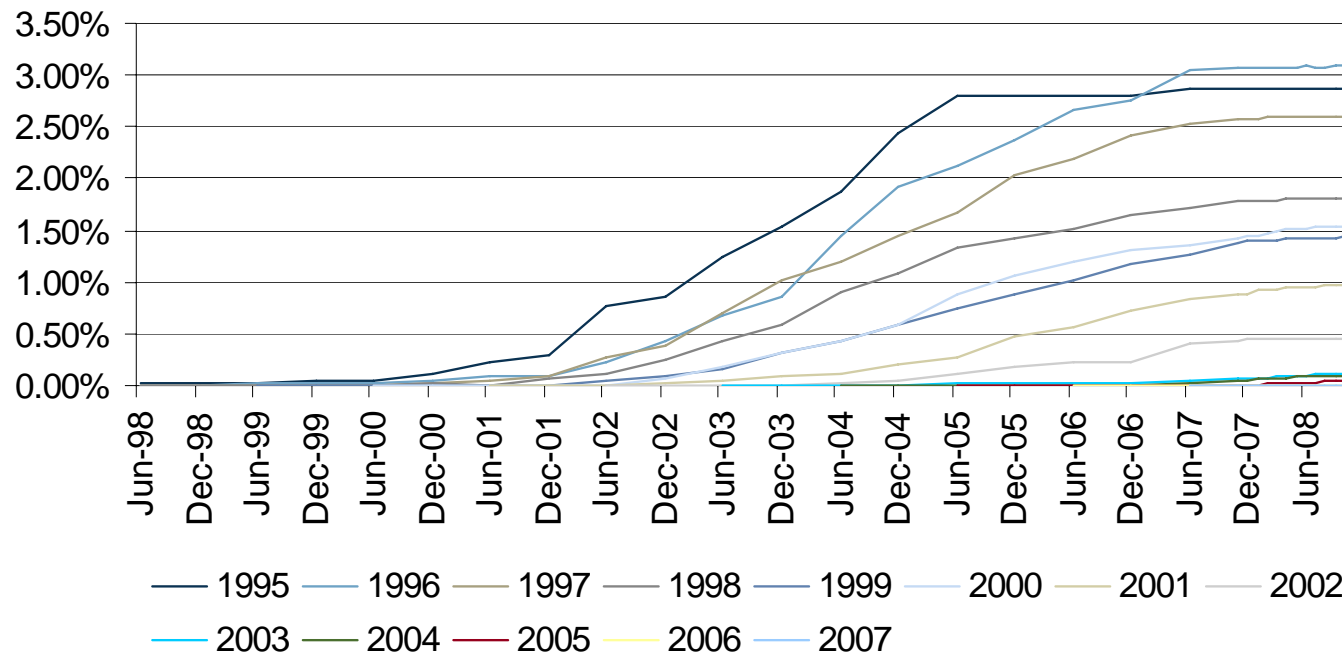


- CRE market spreads trading close to record highs
 - Reflects broader capital market and banking conditions rather than real estate fundamentals
 - Significant impact on MBIA's mark to market results as majority of CRE exposure executed in derivative form

Historic CMBS Cumulative Loan Level Net Losses

Recent Vintages Performing Relatively Well

Low Cumulative Net Losses



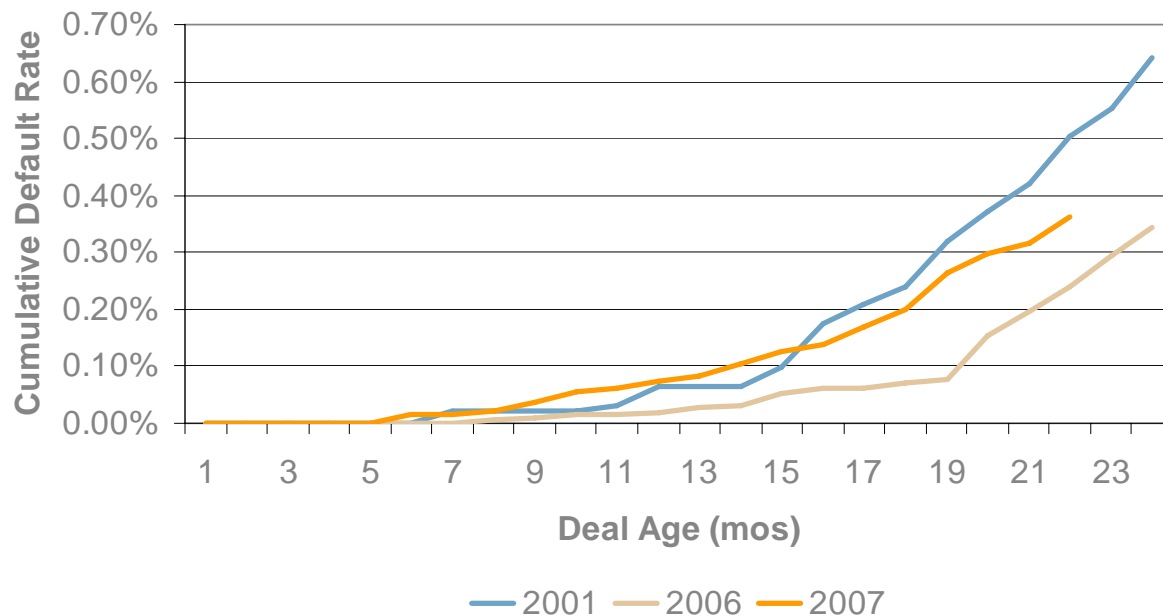
Source: Wachovia

CMBS Recent Vintage Performance

Early Pay Default Trends Relatively Low

Cumulative Default Rates

(Default = any loan 60+ days delinquent)



Source: Wachovia

- 2006 and 2007 vintages not showing high early stage delinquencies in contrast to the residential real estate sectors

CRE and Subprime Mortgage Loans Comparison

Significant Differences in Underwriting Standards

	CRE Loans *	SUBPRIME RMBS *
Origination	<ul style="list-style-type: none"> • Documented Cash Flow-Tax returns, Tenant Info, Audited Financials • Fixed rate, term loans, 70%-80% LTV on first mortgage 	<ul style="list-style-type: none"> • Increased preponderance of “No Doc” and “Stated Income” • ARM, option pay with negative amortization, teaser rates
Loan Characteristics	<ul style="list-style-type: none"> • 10 years CMBS history and 40+ years of CRE lending • Lender completes full due diligence prior to origination 	<ul style="list-style-type: none"> • Limited history on newer loan types and lower quality borrowers • Lender overly reliant on broker due diligence with limited own review
Securitized Structure Characteristics	<ul style="list-style-type: none"> • Typically sequential pay structure • Credit enhancement primarily in the form of subordination 	<ul style="list-style-type: none"> • Increasingly complex waterfalls with Pro Rata and Sequential pay characteristics • Triggers frequently allow for the release of credit enhancement • Increased reliance on excess spread for credit enhancement
Surveillance	<ul style="list-style-type: none"> • Annual audited property statements and loan disclosures • Transparent market with standardized definitions, watch list criteria and reporting formats 	<ul style="list-style-type: none"> • Limited (if any) updates on current income of borrowers or loan covenants

* Comments reflect typical CRE loans and subprime RMBS; individual loans may not reflect some or all of these characteristics

Conclusion

Conclusion

- MBIA exposure predominantly triple-A
- Collateral performing within expectations
- MBIA's underwriting assumed increases in delinquencies throughout the next 24 months
 - MBIA's underwriting analysis includes stresses for such scenarios
- Some CMBS loan exposures showing susceptibility to stress due to low underlying tranche enhancement
- CRE market spreads remain volatile, which impacts MBIA's mark-to-market results, but does not reflect fundamental performance

Appendix

Glossary

- **Anchored Retail:** a property containing a large tenant (i.e. Wal-Mart)
- **Capitalization Rates:** A measure used to calculate the cash flow yield a property generates based on what investors are willing to pay for a property with a given cash flow generation. Low capitalization rates (i.e. 5%) can be associated with high quality office buildings and regional malls, while high capitalization rates (i.e. 9%) can be associated to low quality retail, limited service hotels, and old suburban office buildings. Please see the diagram on slide 41 for more detail.
- **Commercial Mortgage Backed Securities (CMBS):** A type of mortgage-backed security, comprised of commercial real estate loans. Commercial mortgages represent mortgage loans for non-residential properties such as office buildings, retail stores, etc.
- **Commercial Real Estate (CRE) CDOs:** Transactions secured by a diversified pool of commercial real estate-oriented loans and/or bonds. Transactions are actively managed pools of collateral with a Collateralized Debt Obligation (CDO) structure with first loss positions provided by subordinated tranches. Transactions are usually managed pools with reinvestment permitted subject to Eligibility Criteria.
- **Debt Service Coverage Ratio:** The ratio represents net income (i.e. rent less operating expense) from the property's leases to the principal and interest due on finance arrangements. This ratio provides an assessment of a property's ability to generate sufficient cash flow to satisfy debt service requirements.

Glossary

- **Eligibility Criteria:** Criteria used to establish requirements for loans to be included in the securitization. Loans that are subsequently determined to be noncompliant with the eligibility criteria are subject to redress by the collateral manager and/or servicer for the securitization.
- **Full Service Hotels:** Hotels containing upscale restaurants, banquet and conference facilities, business centers, etc.
- **Loan-to-Value (LTV):** The amount of a first mortgage lien (loan amount) as a percentage of the total appraised value of the property.
- **Net Par Outstanding (NPO):** Par written or insured, less reinsurance, and principal payments.
- **Real Estate Investment Trust (REIT):** A special structure which holds real properties. These properties can be apartments, shopping malls, office buildings or other acceptable real assets. The company must distribute 95 percent of its income to the shareholders in order to qualify for special tax treatment.

Glossary

- **Residential Mortgage Backed Securities (RMBS):** A type of mortgage-backed security composed of a wide array of different non-commercial mortgage debts. It securitizes the mortgage payments of non-commercial real estate. Different residential mortgages with varying credit ratings are pooled together and sold in tranches to investors.
- **Waterfall or Cash Flow Priorities:** A set of rules or priorities that are specified for a securitization that govern how the cash flows generated by the related trust's assets are applied to the trust's payment obligations.
 - *Sequential Pay Waterfall:* A type of payment structure in which higher-tiered creditors receive interest and principal payments, while the lower-tiered creditors receive only interest payments. When the higher tiered creditors have received all interest and principal payments in full, the next tier of creditors begins to receive interest and principal payments.

Explanation of a Capitalization Rate

Key Driver of Real Estate Valuations

$$\text{Value} = \frac{\text{Property's Cash Flow (income - expenses)}}{\text{Capitalization ("Cap") Rate}}$$

Example: Property Cash Flow is \$1,000,000 & the Loan balance is \$12MM

If the Cap Rate is **LOW** at 5%,
the Value of the building is
\$20,000,000

If the Cap Rate is **HIGH** at 9%,
the Value of the building is
\$11,000,000



Loan = \$12 MM

60% LTV or 108% LTV?

A 4% difference in Cap Rate may lead to a \$9 Million difference in Value

Structured CRE CDOs and CMBS Pools: Collateral Composition, Subordination, and Net Derivative Asset/Liability

(\$ in millions)

Collateral as % of Performing Pool Balance as of September 30, 2008

Year Insured ⁽¹⁾	Net Par Outstanding	Cusip CMBS	Whole Loans	REIT Debt	CRE CDO	Subprime RMBS	Other RMBS	ABS	Other	Total	Current Subordination Range Below MBIA ⁽²⁾	Original Subordination Range Below MBIA ⁽²⁾	Net Derivative Asset/ (Liability) (\$ in thousands) ⁽³⁾
CRE CDOs													
2004.....	408	64%	1%	17%	0%	14%	3%	0%	0%	100%	22.2-23.2%	22.0-22.4%	—
2005.....	1,426	57%	1%	8%	7%	19%	3%	4%	1%	100%	17.9-35.7%	18.0-36.0%	(47,160,048)
2006.....	3,420	36%	52%	6%	6%	0%	1%	0%	0%	100%	24.1-60.2%	24.0-55.0%	(8,724,671)
2007.....	4,430	56%	29%	6%	6%	1%	2%	0%	0%	100%	22.0-52.1%	20.0-60.0%	(72,408,692)
Sub-total	9,683												(128,293,411)
Structured CMBS Pools													
2003.....	163	62%	0%	37%	1%	0%	0%	0%	0%	100%	32.8%	26.0%	—
2005.....	2,075	100%	0%	0%	0%	0%	0%	0%	0%	100%	8.0%	8.0%	(828,776)
2006.....	7,009	89%	0%	0%	11%	0%	0%	0%	0%	100%	10.0-70.0%	10.0-70.0%	(78,429,008)
2007.....	23,474	97%	0%	0%	3%	0%	0%	0%	0%	100%	5.0-82.3%	5.0-82.3%	(201,473,563)
Sub-total	32,720												(280,731,347)
Total.....	42,403												(409,024,758)
	309	Structured CMBS Pools insured in the Secondary Market prior to 2005 (8 CDOs) ⁽⁴⁾											—
Grand total.....	42,712												(409,024,758)

Located in MBIA's Q3-2008 10Q

