



# Credit Markets in Turmoil: MBIA's Perspective

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**April 21, 2008**



# Safe Harbor Disclosure

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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](http://www.mbia.com). The company undertakes no obligation to revise or update any forward-looking statements to reflect changes in events or expectations.

# The Mortgage Meltdown

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- Relaxed lending standards
- Loans are packaged and sold as mortgage-backed securities...
- ...then repackaged again and resold again...
- Rupture at beginning of chain progressively impacts the end

# Liquidity Dries Up

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- Investment banks and hedge funds highly leveraged in these complex securities
- Gains – and losses – magnified
- Market insecurity + credit deterioration = tumbling values
- Financial guarantors as linchpins?
- Ratings uncertainty led to concerns about regulatory capital adequacy for banks
- Liquidity was never an issue at MBIA

# Rating Agencies Reassess Capital Requirements

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- Financial guarantors must meet specific capital requirements for a Triple-A
- Rating agencies began reassessing financial guarantors' capital adequacy
- Assessment is ongoing... and ongoing...
- Some smaller players downgraded, effectively shutting down new business

# Act II at the Helm of MBIA

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- Chairman and CEO from 1999 - 2005
- Chairman till early 2007
- Motivated shareholder from early 2007 to early 2008
- Chairman and CEO, February 2008

# A View of Leadership

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- **Assess strengths and weaknesses:** *View the company from all sides*
- **Develop a mantra:** *Strive for no-loss underwriting, Triple-A ratings, Build shareholder value, Maintain the strongest team*
- **Focus on tactics:** *No longer insure credit derivatives. Suspend structured finance business for 6 months. Eliminate quarterly dividend*
- **Develop a long-term strategy:** *Restructure our businesses into separate operating entities. Level the playing field on taxes.*
- **Assess your people:** *Eliminate 48 positions. Hire 20 new people.*
- **Get the execution machine cranking!**

# A View of Leadership – How do CEOs Fail?

- The ego wins out
- Lose sight of the mission
- You don't anticipate the world moving against you

***Who is your ultimate customer?***

# The Road Ahead

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- Liquidity crisis: substantially over in 6 – 9 months
- Mortgage market crisis: resolved in 1 – 2 years
- Importance of large banks will grow
- Smaller universe for bond insurance industry
- Significant increase in the amount and quality of disclosure
- MBIA built to withstand stress at much greater multiples
- The value of insurance more fully appreciated in times of market stress
- Enormous global infrastructure needs going forward
- Insurance builds more efficient capital markets

