NEWS RELEASE

MBIA Inc. Reports 22 Percent Increase in Nine Months Net Income Per Share; Operating Income Per Share up 8 Percent

10/26/2006

ARMONK, N.Y.--(BUSINESS WIRE)--

MBIA Inc. (NYSE: MBI), the holding company for MBIA Insurance Corporation, reported today that net income per share for the first nine months of 2006 increased 22 percent to $4.67, compared to $3.84 in the same period of 2005. Net income for the first nine months was $638.3 million, up 21 percent compared to $528.3 million in the same period last year.

The increase was largely due to a favorable comparison with the same period of 2005, when results were impacted by a one-time, pre-tax accrual of $75 million made in the third quarter, or $0.52 per share on an after-tax basis, for the total amount that the Company estimated it will pay in connection with previously announced investigations by the Securities and Exchange Commission, the New York Attorney General's Office and the New York State Insurance Department.

Diluted earnings per share information

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005

Net income	$1.59	$1.04	$4.67	$3.84
Income (loss) from discontinued operations	0.01	(0.01)	0.02	(0.01)
Net income from continuing operations	1.58	1.05	4.65	3.84
Accrual for penalties and disgorgement	-----	(0.53)	-----	(0.52)
Net realized gains (losses)	0.02	(0.03)	0.10	(0.02)
Net gains on derivative instruments and foreign exchange	0.00	0.21	0.05	0.20
Operating income (1)	$1.55	$1.39	$4.50	$4.18

(1) A non-GAAP measure

For the first nine months of 2006, operating income per share, which excludes the effects of net realized gains and losses, net gains and losses on derivative instruments and foreign exchange, accruals for penalties and disgorgement, and income and losses from discontinued operations, increased 8 percent to $4.50 from $4.18 in the first nine months of 2005. Excluding refundings, nine month 2006 operating income per share rose 5 percent to $3.94 from $3.75 in the same period of 2005.

MBIA has signed a letter of intent to sell its MuniServices operations and the business is now being presented as a discontinued operation for financial reporting purposes.

In the third quarter of 2006, net income per share increased 53 percent to $1.59 from $1.04 during the same period of 2005. Net income for the third quarter was $217.9 million, up 54 percent, compared with $141.8 million in the same period last year. Current results reflect a favorable comparison with the third quarter of 2005, when the Company made its $75 million settlement-related accrual.

For the third quarter of 2006, operating income per share increased 12 percent to $1.55 from $1.39 in the third quarter of 2005. Excluding refundings, third quarter 2006 operating income per share rose 9 percent to $1.37 from $1.26 during the same period of 2005.

Gary Dunton, MBIA Chief Executive Officer, said, "While market conditions remain challenging, we held to our underwriting and pricing disciplines and were pleased with the quality of transactions that we insured. Despite continuing tight credit spreads and a very benign credit risk environment, there continues to be steady demand for our insurance and investment management products."

Insurance Operations

Adjusted direct premiums (ADP), a non-GAAP measure, which includes both upfront premiums written and the present value of estimated future installment premiums for new business writings and excludes premiums assumed or ceded, decreased 31 percent to $609.6 million in the first nine months of 2006 from $879.8 million in the first nine months of 2005.

Adjusted Direct Premiums

(dollars in millions)

	Three Months Ended September 30			Nine Months Ended September 30		
	2006	2005	% Change	2006	2005	% Change
Global Public Finance						
United States	$67.5	$96.1	(30%)	$189.2	$381.7	(50%)
Non-United States	31.6	3.5	803%	133.8	68.6	95%
Total	99.1	99.6	(1%)	323.0	450.3	(28%)
Global Structured Finance						
United States	73.8	59.8	23%	163.4	231.3	(29%)
Non-United States	37.2	73.8	(50%)	123.2	198.2	(38%)
Total	111.0	133.6	(17%)	286.6	429.5	(33%)
Total	$210.1	$233.2	(10%)	$609.6	$879.8	(31%)

MBIA's global public finance ADP decreased 28 percent in the first nine months of 2006 compared to the same period of 2005. Compared to last year's first three quarters, U.S. public finance production was down 50 percent impacted by a competitive bond insurance environment and the relative lack of large transactions. According to The Bond Buyer, insured volume declined 28 percent in the first nine months of 2006 compared with the same period last year. Non-U.S. public finance production during the first nine months increased 95 percent due to two significant international transactions that closed in the second quarter. In global public finance, 82 percent of

insured business written in the first nine months of 2006 had underlying ratings of Single-A or higher.

In the Company's global structured finance business, ADP decreased 33 percent in the first nine months of 2006. Non-U.S. structured finance production for the first nine months declined 38 percent, while U.S. structured finance ADP declined 29 percent compared with the same period of 2005. In global structured finance, 70 percent of insured business written in the first three quarters of 2006 had underlying ratings of Single-A or higher.

For the third quarter of 2006, total ADP declined 10 percent to $210.1 million, compared to $233.2 million during the same period of 2005. In the third quarter, non-U.S. public finance ADP increased significantly over last year's third quarter, as did U.S. structured finance ADP. MBIA insured six non-U.S. public finance transactions totaling $31.6 million of ADP compared to only one deal last year of $3.5 million of ADP. Most of the Company's U.S. structured finance sectors reported higher ADP during the third quarter, which contributed to a 23 percent increase in ADP. Particularly favorable comparisons came from the CDOs, consumer asset-backed and real estate sectors.

During the first nine months of 2006, scheduled earned premiums decreased 4 percent to $507.0 million from $528.0 million in the same period of 2005. Scheduled earned premiums were impacted by policy terminations of structured finance deals in the trailing three quarters as well as the effect of refunding activity in prior periods, which accelerated the earning of premiums into earlier periods. Earned premiums from refundings were $128.0 million for the first nine months of 2006, up 28 percent from $100.3 million in the first nine months of 2005. MBIA's earned premium from refunded issues was boosted by several international transactions that had significant unearned premium at the time of the refunding.

Pre-tax net investment income in the first nine months of 2006, excluding net realized gains and losses, was $448.8 million, an 18 percent increase from $379.4 million in the same period of 2005. The increase was primarily due to interest received on Variable Interest Entities (VIEs), interest received on the Northwest Airlines 2000-1 Enhanced Equipment Trust Certificates (EETCs), and reimbursed expenses. Investment income for VIEs and similar items has been shown in net investment income since the first quarter of 2006, and the related interest expense is included in the interest expense line on the Company's income statement for the current and prior periods. Excluding the effects of the noted items, pre-tax net investment income would have increased by 6 percent for the nine months.

MBIA's fees and reimbursements (which had been labeled Advisory Fees until the first quarter of 2006) were up 45 percent in the first nine months of 2006 to $29.2 million from $20.2 million during the same period of 2005, which includes reimbursements of $15.7 million for expenses related to two credits.

Total insurance expenses were up 18 percent in the first nine months of 2006 to $275.0 million from $233.2 million in the first nine months of 2005. The increase resulted from higher interest expense for VIEs, interest expense related to the financing of the Northwest Airlines 2000-1 EETCs, and the lower deferral rate that the Company

adopted during last year's third quarter for gross insurance expenses related to policy acquisition costs. Gross insurance expenses, which are prior to any expense deferrals, were down 3 percent for the first nine months of this year versus the same period last year.

The Company incurred $60.8 million in loss and loss adjustment expenses (LAE) in the first nine months of 2006, a 4 percent decrease compared to $63.4 million in the same period last year. Loss and LAE for both periods is based on the Company's formula of reserving 12 percent of scheduled earned premium. During the first nine months of 2006, the net effect of MBIA's formula-based loss reserving and case loss reserve activity resulted in a $50.8 million increase to its unallocated loss reserve, boosting the Company's unallocated loss reserve to $259.4 million at September 30, 2006.

Regarding the Eurotunnel transaction, in the third quarter MBIA made interest payments totaling approximately $900 thousand related to a small portion of the Company's exposure to the issue. MBIA expects to be fully reimbursed for these payments.

MBIA's pre-tax operating income from insurance operations, which excludes the effects of net realized gains and losses and net gains and losses on derivative instruments and foreign exchange, increased 5 percent to $838.0 million in the first nine months of 2006 compared to $794.6 million in the same period of 2005.

Investment Management Services

The market value of year-to-date average fixed-income assets under management, excluding conduits, was $50.3 billion in the first nine months of 2006, up 16.4 percent from $43.3 billion in the first nine months of last year. Pre-tax operating income from MBIA's investment management business, which excludes the effects of net realized gains and net gains and losses on derivative instruments and foreign exchange, increased 15 percent in the first nine months of 2006 to $75.4 million from $65.7 million in the same period of 2005 driven by strong demand for the Company's asset/liability products.

Corporate

The pre-tax operating loss for the corporate segment decreased 57 percent for the first nine months of 2006 to $61.1 million from $141.5 million in the same period last year. The decrease was primarily due to the effects of the $75 million accrual taken in the third quarter of 2005 as well as a decline in associated legal and consulting costs within corporate expenses. Part of the decline was also due to lower interest expense because of lower debt levels, but was partially offset by reduced net investment income.

Gains and Losses

In the first nine months of 2006, MBIA recorded net realized gains of $22.0 million for all business operations, compared to net realized losses of $4.7 million in the same period of 2005. The increase in net realized gains for the first nine months of 2006 was a result of a $10.5 million gain during the second quarter related to the sale of the Company's common stock investment in Ram Re and gains in the Company's insurance investment portfolio.

The Company recorded pre-tax net gains on derivative instruments and foreign exchange of $10.5 million for all business operations in the first nine months of 2006, compared to pre-tax net gains of $42.2 million in the same period of 2005.

Discontinued Operations

As noted earlier, MBIA has signed a letter of intent to sell its MuniServices operations to an investor group led by the management of MuniServices and this business is now being treated as a discontinued operation. In addition, the former municipal services segment has been eliminated from MBIA's financial segment reporting. Results for MBIA's Capital Asset operations, which were previously included in the presentation of the municipal services segment, are now being included in the corporate segment due to its immateriality.

Book Value and Adjusted Book Value

MBIA's book value per share at September 30, 2006 increased to $52.35, up 6 percent from $49.17 at December 31, 2005. The increase in book value per share was driven by an increase in retained earnings, which was partially offset by a reduction in unrealized appreciation of investment securities. Adjusted book value (ABV) per share, a non-GAAP measure, at September 30, 2006 rose 5 percent to $74.02 from $70.62 at December 31, 2005. ABV includes the after-tax effects of deferred premium revenue less prepaid reinsurance premiums and deferred acquisition costs, the present value of installment premiums, the present value of the net spread of asset/liability products and a provision for loss and loss adjustment expenses.

Conference Call

MBIA will host a conference call for investors today at 11 a.m. EDT. The conference call will consist of brief comments by Mr. C. Edward Chaplin, MBIA Chief Financial Officer, followed by a question and answer session with Mr. Chaplin. The dial-in number for the call is 877-694-4769 in the U.S. and 973-582-2849 from outside the U.S. The conference call code is 7953276. The call will also be broadcast live on MBIA's Web site at **www.mbia.com**. Those who are unable to participate in the conference call may listen to a replay by dialing 877-519-4471 in the U.S. and 973-341-3080 from outside the U.S. The replay code is also 7953276. The replay will be available on MBIA's Web site approximately two hours after the end of the conference call.

MBIA Inc., through its subsidiaries, is a leading financial guarantor and provider of specialized financial services. MBIA's innovative and cost-effective products and services meet the credit enhancement, financial and investment needs of its public and private sector clients, domestically and internationally. MBIA Inc.'s principal operating subsidiary, MBIA Insurance Corporation, has a financial strength rating of Triple-A from Moody's Investors Service, Standard & Poor's Ratings Services, Fitch Ratings, and Rating and Investment Information, Inc. Please visit MBIA's Web site at **www.mbia.com**.

This news release 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. The Company undertakes no obligation to revise or update any forward-looking statements to reflect changes in events or expectations.

Explanation of Non-GAAP Financial Measures

The following are explanations of why MBIA believes that the non-GAAP financial measures typically used in the Company's press releases, which serve to supplement GAAP information, are meaningful to investors.

Operating Income (Loss): The Company believes operating income is a useful measurement of performance because it measures income from operations, unaffected by investment portfolio realized gains and losses, gains and losses on derivative instruments and foreign exchange and other non-operating items. Operating income (loss) is also provided to assist research analysts and investors who use this information in their analysis of the Company.

Adjusted Direct Premiums: The Company believes adjusted direct premiums are a meaningful measure of the total value of the insurance business written during a reporting period since they represent the present value of all premiums collected and expected to be collected on policies closed during the period. As such, it gives investors an opportunity to measure the value of new business activities in a given period and compare it to new business activities in other periods. Other measures, such as premiums written and premiums earned, include the value of premiums resulting from business closed in prior periods and do not provide the same information to investors.

Adjusted Book Value (ABV): The Company believes the presentation of adjusted book value, which includes items that are expected to be realized in future periods, provides additional information that gives a comprehensive measure of the value of the Company. Since the Company expects these items to affect future results and, in general, they do not require any additional future performance obligation on the Company's part, ABV provides an indication of the Company's value in the absence of any new business activity. ABV is not a substitute for GAAP book value but does provide investors with additional information when viewed in conjunction with GAAP book value.

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(dollars in thousands)

	September 30, 2006	December 31, 2005
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $26,786,671 and $23,189,684)	$ 27,209,053	$ 23,747,204
Investments held-to-maturity, at amortized cost (fair value $5,042,568 and $5,734,335)	5,070,668	5,765,182
Investment agreement portfolio pledged as collateral, at fair value (amortized cost $822,230 and $712,054)	821,417	729,072
Short-term investments, at amortized cost (which approximates fair value)	2,000,179	1,673,697
Other investments	200,963	234,927
Total investments	35,302,280	32,150,082
Cash and cash equivalents	341,330	230,965
Accrued investment income	497,668	396,048
Deferred acquisition costs	437,648	427,111
Prepaid reinsurance premiums	373,463	407,614
Reinsurance recoverable on unpaid losses	47,002	58,965
Goodwill	79,406	79,406
Property and equipment (net of accumulated depreciation)	106,015	107,938
Receivable for investments sold	127,136	74,787
Derivative assets	441,540	326,867
Other assets	186,096	301,611
Total assets	$ 37,939,584	$ 34,561,394

Liabilities and Shareholders' Equity		
Liabilities:		
Deferred premium revenue	$ 3,084,419	$ 3,185,200
Loss and loss adjustment expense reserves	725,629	721,502
Investment agreements	11,811,231	10,806,277
Commercial paper	755,234	859,997
Medium-term notes	9,005,718	7,542,416
Variable interest entity floating rate notes	1,475,750	1,280,160
Securities sold under agreements to repurchase	757,260	646,343
Short-term debt	40,898	58,745
Long-term debt	1,216,403	1,210,405
Current income taxes	38,610	---
Deferred income taxes, net	510,843	569,536
Deferred fee revenue	16,891	20,379
Payable for investments purchased	426,522	83,369
Derivative liabilities	390,435	384,611
Other liabilities	626,983	600,810
Total liabilities	30,882,826	27,969,750
Shareholders' Equity:		
Common stock	157,812	156,602
Additional paid-in capital	1,490,066	1,435,590
Retained earnings	6,260,164	5,747,171
Accumulated other comprehensive income	323,692	399,381
Treasury stock	(1,174,976)	(1,147,100)
Total shareholders' equity	7,056,758	6,591,644
Total liabilities and shareholders' equity	$ 37,939,584	$ 34,561,394

MBIA INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(dollars in thousands except per share amounts)

	Three Months Ended September 30	
	2006	2005
Insurance operations		
Revenues:		
Gross premiums written	$ 202,178	$ 220,970
Ceded premiums	(26,461)	(34,608)
Net premiums written	175,717	186,362
Scheduled premiums earned	170,112	173,302
Refunding premiums earned	42,215	30,770
Premiums earned	212,327	204,072
Net investment income	164,418	129,848
Fees and re-imbursements	17,046	9,529
Net realized gains (losses)	4,021	(7,526)
Net gains (losses) on derivative instruments and foreign exchange	(4,706)	2,485
Total insurance revenues	393,106	338,408
Expenses:		
Losses and loss adjustment	20,414	20,796
Amortization of deferred acquisition costs	16,774	16,121
Operating	37,455	38,943
Interest expense	22,225	8,363
Total insurance expenses	96,868	84,223
Insurance income	296,238	254,185
Investment management services		
Revenues	308,473	225,671
Net realized gains (losses)	361	1,284
Net gains (losses) on derivative instruments and		

foreign exchange	5,415	41,607
Total investment management services revenues	314,249	268,562
Interest expense	263,804	184,397
Expenses	19,062	18,341
Total investment management services expenses	282,866	202,738
Investment management services income	31,383	65,824
Corporate		
Net investment income	3,297	3,492
Net realized gains (losses)	866	226
Net gains (losses) on derivative instruments and foreign exchange	268	65
Interest expense	20,270	22,148
Corporate expenses	5,260	81,414
Corporate loss	(21,099)	(99,779)
Income from continuing operations before income taxes	306,522	220,230
Provision for income taxes	89,969	77,500
Income from continuing operations	216,553	142,730
Income (loss) from discontinued operations, net of tax	1,394	(946)
Net income	$ 217,947	$ 141,784
Net income per common share:		
Basic	$ 1.64	$ 1.07
Diluted	$ 1.59	$ 1.04
Weighted-average number of common shares outstanding:		

Basic	132,794,395	132,622,848
Diluted	136,739,403	135,822,330

	Nine Months Ended September 30	
	2006	2005
Insurance operations		
Revenues:		
Gross premiums written	$ 626,526	$ 752,554
Ceded premiums	(77,532)	(98,356)
Net premiums written	548,994	654,198
Scheduled premiums earned	506,957	527,964
Refunding premiums earned	128,005	100,338
Premiums earned	634,962	628,302
Net investment income	448,820	379,411
Fees and re-imbursements	29,239	20,168
Net realized gains (losses)	14,094	(6,319)
Net gains (losses) on derivative instruments and foreign exchange	1,356	415
Total insurance revenues	1,128,471	1,021,977
Expenses:		
Losses and loss adjustment	60,835	63,355
Amortization of deferred acquisition costs	50,162	49,636
Operating	110,071	100,377
Interest expense	53,929	19,867
Total insurance expenses	274,997	233,235
Insurance income	853,474	788,742
Investment management services		
Revenues	860,978	618,449
Net realized gains (losses)	5,594	3,000
Net gains (losses) on derivative instruments and		

foreign exchange	8,723	41,633
Total investment management services revenues	875,295	663,082
Interest expense	730,472	500,979
Expenses	55,113	51,808
Total investment management services expenses	785,585	552,787
Investment management services income	89,710	110,295
Corporate		
Net investment income	10,724	17,217
Net realized gains (losses)	2,333	(1,388)
Net gains (losses) on derivative instruments and foreign exchange	446	200
Interest expense	60,709	66,379
Corporate expenses	11,144	92,350
Corporate loss	(58,350)	(142,700)
Income from continuing operations before income taxes	884,834	756,337
Provision for income taxes	248,855	227,381
Income from continuing operations	635,979	528,956
Income (loss) from discontinued operations, net of tax	2,324	(691)
Net income	$ 638,303	$ 528,265
Net income per common share:		
Basic	$ 4.81	$ 3.93
Diluted	$ 4.67	$ 3.84
Weighted-average number of common shares outstanding:		

Basic	132,759,336	134,589,606
Diluted	136,676,944	137,722,142

MBIA INC. AND SUBSIDIARIES

Reconciliation of Adjusted Direct Premiums to Gross Premiums Written

(dollars in millions)

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Adjusted direct premiums (1)	$210.1	$233.2	$609.6	$879.8
Adjusted assumed premiums	5.7	0.7	5.7	1.7
Adjusted gross premiums	215.8	233.9	615.3	881.5
Present value of estimated future installment premiums (2)	(157.0)	(148.2)	(381.3)	(524.8)
Gross upfront premiums written	58.8	85.7	234.0	356.7
Gross installment premiums written	143.4	135.3	392.5	395.9
Gross premiums written	$202.2	$221.0	$626.5	$752.6

(1)A non-GAAP measure.

(2)At September 30, 2006, June 30, 2006 and March 31, 2006 the discount rate was 5.03%, 5.00% and 5.02%, repsectively, and at September 30, 2005, June 30, 2005 and March 31, 2005 the discount rate was 4.99%, 4.99% and 4.84%, respectively.

Components of Net Income per Share

	Three Months Ended September 30		Nine Months Ended September 30	
	2006	2005	2006	2005
Net income	$1.59	$1.04	$4.67	$3.84
Income (loss) from discontinued operations	0.01	(0.01)	0.02	(0.01)
Net income from continuing operations	1.58	1.05	4.65	3.84
Penalties and disgorgement	--	(0.53)	--	(0.52)
Net realized gains (losses)	0.02	(0.03)	0.10	(0.02)
Net gains on derivative instruments and foreign exchange	0.00	0.21	0.05	0.20
Operating income (1)	$1.55	$1.39	$4.50	$4.18

(1)A non-GAAP measure.

MBIA INC. AND SUBSIDIARIES

Components of Adjusted Book Value per Share

	September 30, 2006	December 31, 2005
Book value	$52.35	$49.17
After-tax value of:		

Deferred premium revenue	14.87	15.45
Prepaid reinsurance premiums	(1.80)	(1.98)
Deferred acquisition costs	(2.11)	(2.07)
Net deferred premium revenue	10.96	11.40
Present value of installment premiums (1)	10.45	10.53
Asset/liability products adjustment	3.08	2.40
Loss provision (2)	(2.82)	(2.88)
Adjusted book value (3)	$74.02	$70.62

(1)At September 30, 2006 and December 31, 2005 the discount rate was 5.03% and 5.00%, respectively.
(2)The loss provision is calculated by applying 12% to the following items on an after-tax basis:
(a) deferred premium revenue; (b) prepaid reinsurance premiums; and, (c) the present value of installment premiums.
(3)A non-GAAP measure.

CONSOLIDATED INSURANCE OPERATIONS

Selected Financial Data Computed on a Statutory Basis

(dollars in millions)

	September 30, 2006	December 31, 2005
Capital and surplus	$ 4,460.6	$ 3,800.4
Contingency reserve	2,433.8	2,769.0
Capital base	6,894.4	6,569.4
Unearned premium reserve	3,435.0	3,508.1
Present value of installment premiums (1)	2,167.7	2,171.1

Premium resources	5,602.7	5,679.2
Loss and loss adjustment expense reserves	326.4	317.8
Soft capital credit facilities	850.0	850.0
Total claims-paying resources	$ 13,673.5	$ 13,416.4
Net debt service outstanding	$ 900,349.8	$ 889,018.9
Capital ratio (2)	131:1	135:1
Claims-paying ratio (3)	77:1	78:1

(1)At September 30, 2006 and December 31, 2005 the discount rate was 5.03% and 5.00%, respectively.
(2)Net debt service outstanding divided by the capital base.
(3)Net debt service outstanding divided by the sum of the capital base, unearned premium reserve (after-tax), present value of installment premiums (after-tax), loss and loss adjustment expense reserves and soft capital credit facilities.

Source: MBIA Inc.

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