



**national  
public finance  
guarantee**



# Second Quarter 2016 Operating Supplement

## **Table of Contents**

Consolidated Balance Sheets	2
Consolidated Statements of Operations	3
Net Income (Loss) Reconciliation to Operating Income (Loss)	4
Net Premiums Earned, Rollforward of Gross Premium Receivable	5
Amortization of Gross Par, Gross Debt Service, Net Unearned Premium and Cash Premiums Collected and Expected	5
Investment Portfolio Including Cash and Cash Equivalents	6
Insured Portfolio Losses – Loss and Loss Adjustment Expense (LAE) Reserves and Insurance Loss Recoverable	7
Liquidity Position	8
Statutory Balance Sheets Summary, Claims-Paying Resources	9
Insured Portfolio Profile by Geography and Bond Type	10
Insured Portfolio - 50 Largest Credits Gross Par Outstanding	11
Credit Quality Distribution, Top 10 Below Investment Grade (BIG) Credits	12

(1) This report is unaudited.

## Safe Harbor Disclosure

This Operating Supplement includes statements that are not historical or current facts and are “forward- looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “estimate”, “intend,” “will likely result,” “looking forward” 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, including, among other risks and uncertainties; increased credit losses or impairments on public finance obligations we insure issued by state, local and territorial governments and finance authorities that are experiencing fiscal stress; the possibility that MBIA Insurance Corporation will have inadequate liquidity to pay expected claims as a result of increased losses on certain structured finance transactions, in particular residential mortgage-backed securities transactions that include a substantial number of ineligible mortgage loans, or a delay or failure in collecting expected recoveries; the possibility that loss reserve estimates are not adequate to cover potential claims; a disruption in the cash flow from our subsidiaries or an inability to access capital and our exposure to significant fluctuations in liquidity and asset values within the global credit markets as a result of collateral posting requirements; our ability to fully implement our strategic plan, including our ability to maintain high stable credit ratings for National Public Finance Guarantee Corporation and generate investor demand for our financial guarantees; deterioration in the economic environment and financial markets in the United States (“U.S.”) or abroad, and adverse developments in European sovereign credit performance, real estate market performance, credit spreads, interest rates and foreign currency levels; the effects of changes to governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules; and uncertainties that have not been identified at this time. These and other factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company’s forward-looking statements are discussed under the “Risk Factors” section in MBIA Inc.’s most recent Annual Report on Form 10-K, which may be updated or amended in the Company’s subsequent filings with the Securities and Exchange Commission. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. The Company undertakes no obligation to publicly correct or update any forward-looking statement if it later becomes aware that such result is not likely to be achieved.

**National Public Finance Guarantee Corporation and Subsidiaries**  
**Consolidated Balance Sheets**  
(dollars in millions except share and per share amounts)

	June 30, 2016	December 31, 2015
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,903 and \$3,824)	\$ 3,993	\$ 3,767
Investments carried at fair value	46	133
Investments pledged as collateral, at fair value (amortized cost \$134 and \$204)	135	203
Short-term investments held as available-for-sale, at fair value (amortized cost \$184 and \$303)	184	302
Other investments (includes investments at fair value of \$4 and \$9)	7	12
Total investments	4,365	4,417
Cash and cash equivalents	313	51
Securities purchased under agreements to resell	132	199
Premiums receivable	194	198
Deferred acquisition costs	184	206
Receivable for investments sold	101	6
Other assets	43	45
<b>Total assets</b>	<b>\$ 5,332</b>	<b>\$ 5,122</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 858	\$ 967
Loss and loss adjustment expense reserves	58	45
Securities sold under agreements to repurchase	132	199
Deferred income taxes, net	151	100
Payable for investments purchased	147	36
Other liabilities	34	45
<b>Total liabilities</b>	<b>1,380</b>	<b>1,392</b>
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,321	2,286
Retained earnings	1,556	1,466
Accumulated other comprehensive income (loss), net of tax of \$32 and \$20	60	(37)
<b>Total equity</b>	<b>3,952</b>	<b>3,730</b>
<b>Total liabilities and equity</b>	<b>\$ 5,332</b>	<b>\$ 5,122</b>

**National Public Finance Guarantee Corporation and Subsidiaries**  
**Consolidated Statements of Operations**  
(dollars in millions)

	<u>Three Months Ended June 30,</u>		<u>Six Months Ended June 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 27	\$ 33	\$ 53	\$ 68
Refunding premiums earned	28	40	60	90
Premiums earned	55	73	113	158
Net investment income	29	27	60	56
Fees and reimbursements	-	1	1	2
Net gains (losses) on financial instruments at fair value and foreign exchange	25	-	34	3
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(9)	-	(9)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	-	3	-	3
Net investment losses related to other-than-temporary impairments	-	(6)	-	(6)
Other net realized gains (losses)	-	-	-	(4)
Total revenues	<u>109</u>	<u>95</u>	<u>208</u>	<u>209</u>
<b>Expenses:</b>				
Losses and loss adjustment	9	8	18	2
Amortization of deferred acquisition costs	12	16	24	34
Operating	15	14	30	30
Total expenses	<u>36</u>	<u>38</u>	<u>72</u>	<u>66</u>
Income (loss) before income taxes	73	57	136	143
Provision (benefit) for income taxes	24	19	46	49
<b>Net income (loss)</b>	<b><u>\$ 49</u></b>	<b><u>\$ 38</u></b>	<b><u>\$ 90</u></b>	<b><u>\$ 94</u></b>

**U.S. Public Finance Insurance**  
**Net Income (Loss) Reconciliation to Operating Income (Loss)**  
(dollars in millions)

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
<b>Revenues:</b>						
Net premiums earned	\$ 56	\$ -	\$ 56	\$ 114	\$ -	\$ 114
Net investment income	30	-	30	61	-	61
Fees and reimbursements	-	-	-	1	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	25	24	1	34	30	4
Total revenues	111	24	87	210	30	180
<b>Expenses:</b>						
Losses and loss adjustment	9	-	9	18	-	18
Amortization of deferred acquisition costs	12	-	12	24	-	24
Operating	15	-	15	30	-	30
Total expenses	36	-	36	72	-	72
<b>Income (loss) before income taxes</b>	<b>75</b>	<b>24</b>	<b>51</b>	<b>138</b>	<b>30</b>	<b>108</b>
Provision (benefit) for income taxes	25	8	17	47	10	37
<b>Net income (loss)</b>	<b>\$ 50</b>	<b>\$ 16</b>	<b>\$ 34</b>	<b>\$ 91</b>	<b>\$ 20</b>	<b>\$ 71</b>

	Three Months Ended June 30, 2015			Six Months Ended June 30, 2015		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
<b>Revenues:</b>						
Net premiums earned	\$ 73	\$ -	\$ 73	\$ 158	\$ -	\$ 158
Net investment income	28	-	28	57	-	57
Fees and reimbursements	-	-	-	1	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	-	2	(2)	3	3	-
other-than-temporary impairments	(6)	(6)	-	(6)	(6)	-
Other net realized gains (losses)	-	-	-	(4)	-	(4)
Total revenues	95	(4)	99	209	(3)	212
<b>Expenses:</b>						
Losses and loss adjustment	8	-	8	2	-	2
Amortization of deferred acquisition costs	16	-	16	34	-	34
Operating	14	-	14	30	-	30
Total expenses	38	-	38	66	-	66
<b>Income (loss) before income taxes</b>	<b>57</b>	<b>(4)</b>	<b>61</b>	<b>143</b>	<b>(3)</b>	<b>146</b>
Provision (benefit) for income taxes	20	(1)	21	49	(1)	50
<b>Net income (loss)</b>	<b>\$ 37</b>	<b>\$ (3)</b>	<b>\$ 40</b>	<b>\$ 94</b>	<b>\$ (2)</b>	<b>\$ 96</b>

**U.S. Public Finance Insurance**  
**(primarily National Public Finance Guarantee Corporation)**

**Net Premiums Earned <sup>(1)(2)</sup>**  
**(dollars in thousands)**

	<u>1st</u> <u>Qtr.</u>	<u>2nd</u> <u>Qtr.</u>	<u>3rd</u> <u>Qtr.</u>	<u>4th</u> <u>Qtr.</u>	<u>Year-to-date</u>
<b>2016</b>					
Scheduled Premiums Earned	\$ 26,100	\$ 27,002			53,102
Refunded Premiums Earned	32,085	29,076			61,161
Total	\$ 58,185	\$ 56,078			\$ 114,263
<b>2015</b>					
Scheduled Premiums Earned	\$ 35,192	\$ 32,500	\$ 28,122	\$ 28,656	\$ 124,470
Refunded Premiums Earned	50,016	40,237	39,108	49,957	179,318
Total	\$ 85,208	\$ 72,737	\$ 67,230	\$ 78,613	\$ 303,788

(1) Premiums earned differ from amounts reported for National Public Finance Guarantee Corporation due to U.S. public finance policies that were subsequently determined to have refunded prior to the reinsurance agreement with MBIA Insurance Corporation that became effective on 1/1/09. The premiums associated with those refunded issues were returned to MBIA Insurance Corporation.

(2) Excludes insured derivative premiums.

**Rollforward of Gross Premium Receivable <sup>(1)</sup>**  
**(dollars in thousands)**

<b>Premium Receivable as of December 31, 2015</b>	<b>Premium Payments Received</b>	<b>Premium from New Business Written</b>	<b>Changes in Expected Term of Policies</b>	<b>Accretion of Premium Receivable Discount</b>	<b>Other</b>	<b>Premium Receivable as of June 30, 2016</b>
\$197,699	\$(8,050)	\$2,918	\$(1,201)	\$2,920	\$19	\$194,305

(1) Excludes insured derivative premiums.

**Amortization of Gross Par, Gross Debt Service, Net Unearned Premium and Cash Premiums Collected and Expected**  
**(dollars in millions)**

	Gross Par Outstanding	Debt Service Outstanding	Unearned Premiums <sup>(1)</sup>	Expected Future Premium Earnings <sup>(1)(2)</sup>				Cash Premiums Collected and Expected <sup>(3)</sup>
				Upfront	Installments	Accretion	Total	
2nd Qtr. 2016	138,477	233,197	860					5
3rd Qtr. 2016	131,550	223,896	838	19	3	1	23	4
4th Qtr. 2016	126,976	217,439	816	19	3	1	23	4
2017	113,116	196,118	735	70	11	6	87	13
2018	104,541	181,071	662	62	11	5	78	13
2019	96,645	167,049	596	56	10	5	71	12
2020	89,077	153,596	535	51	10	5	66	12
2021-2025	57,038	97,440	296	194	45	21	260	56
2026-2030	30,309	53,693	151	108	37	16	161	50
2031-2035	13,119	26,236	71	52	28	11	91	43
2036-2040	5,939	13,315	30	20	21	6	47	35
2041-2045	2,768	5,015	7	9	14	3	26	25
2046-2050	245	785	1	2	4	-	6	8
2051-2055	5	85	-	1	-	-	1	-
2056 and thereafter	-	-	-	-	-	-	-	-
Total				\$663	\$197	\$80	\$940	\$275

(1) Includes financial guarantee and insured derivative premiums.

(2) Actual future premium earnings will differ from the current projection due to the addition of new business and refundings.

(3) Represents installment-based future net, undiscounted collections.

**U.S. Public Finance Insurance**  
**(primarily National Public Finance Guarantee Corporation)**  
**Investment Portfolio Including Cash and Cash Equivalents**  
**as of June 30, 2016**  
**(dollars in millions)**

<b>Investments <sup>(1)</sup></b>	<b>Market Value</b>	<b>% of Market Value</b>	<b>Amortized Cost</b>	<b>% Book Yield</b>
Fixed-Maturity Securities:				
Long-Term Tax-Exempt <sup>(2)</sup>	\$ 349	8	\$ 328	5.32
Long-Term Taxable	3,779	88	3,709	3.32
Short-Term <sup>(3)</sup>	184	4	184	1.24
Total Fixed-Maturity	4,312	100	\$ 4,221	3.38
Cash and Cash Equivalents	314			
Total Fixed Income Including Cash and Cash Equivalents	4,626			
Investments Carried at Fair Value	46			
Other	7			
Total	\$ 4,679			

**Fixed Income Portfolio Including Cash and Cash Equivalents**

State and Municipal Bonds	\$ 1,459	32
Corporate Obligations	1,223	26
MBS	980	21
US Treasury	370	8
Cash and Cash Equivalents	314	7
ABS	277	6
Foreign Governments	3	-
Total	\$ 4,626	100

**Effective Maturity Profile**

Cash and Cash Equivalents	\$ 314	7
≤ 1 yr	184	4
> 1 to 5 yrs	1,261	27
> 5 to 10 yrs	970	21
> 10 to 15 yrs	336	7
> 15 to 20 yrs	298	7
> 20 yrs	1,263	27
Total	\$ 4,626	100

**Credit Quality Distribution of Long-Term Fixed-Maturity Securities**

**Rating <sup>(4)</sup>**

Aaa	\$ 1,754	42
Aa	1,170	28
A	741	18
Baa	143	4
BIG	149	4
NR	171	4
Total	\$ 4,128	100

*Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 10.67 years*

*Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 5.47 years*

- (1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$132 million; the total market value of encumbered assets totals \$135 million.
- (2) Includes \$139 million of Puerto Rico Electric Power Authority bonds (uninsured) and \$126 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National) at fair value.
- (3) Includes \$438 thousand of Puerto Rico Municipal Finance Agency bonds (insured by Assured Guaranty Municipal Corp.) at fair value.
- (4) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.



**National Public Finance Guarantee Corporation**  
**Insured Portfolio Losses**  
**Loss and Loss Adjustment Expense (LAE) Reserves and Insurance Loss Recoverable**  
(dollars in millions)

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Gross Loss and LAE Reserves	\$ 45	\$ 52			\$ 45
Beginning Gross Insurance Loss Recoverable	(4)	(3)			(4)
Beginning Gross Reserves	41	49			41
Ceded Reserves	-	-			-
Net Reserves	41	49			41
Increase (Decrease) in Expected Payments	19	9			28
(Increase) Decrease in Expected Salvage	(10)	-			(10)
Net (Payments), Collections and Other <sup>(1)</sup>	(1)	(2)			(3)
Net Reserves	49	56			56
Ceded Reserves	-	-			-
Gross Reserves	49	56			56
Gross Loss and LAE Reserves	52	58			58
Gross Insurance Loss Recoverable	\$ (3)	\$ (2)			\$ (2)

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Gross Loss and LAE Reserves	\$ 45	\$ 35	\$ 42	\$ 31	\$ 45
Beginning Gross Insurance Loss Recoverable	(4)	(4)	(1)	-	(4)
Beginning Gross Reserves	41	31	41	31	41
Ceded Reserves	-	-	-	-	-
Net Reserves	41	31	41	31	41
Increase (Decrease) in Expected Payments	(5)	4	(5)	14	8
(Increase) Decrease in Expected Salvage	(1)	4	(2)	(4)	(3)
Net (Payments), Collections and Other <sup>(1)</sup>	(4)	2	(3)	-	(5)
Net Reserves	31	41	31	41	41
Ceded Reserves	-	-	-	-	-
Gross Reserves	31	41	31	41	41
Gross Loss and LAE Reserves	35	42	31	45	45
Gross Insurance Loss Recoverable	\$ (4)	\$ (1)	\$ -	\$ (4)	\$ (4)

(1) Amounts are included in change in expected payments and expected salvage.

## National Public Finance Guarantee Corporation

### Liquidity Position <sup>(1)</sup>

(dollars in millions)

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<b>\$ 32</b>	<b>\$ 27</b>			<b>\$ 32</b>
Premiums and Fees	5	2			7
Net Investment Income	21	32			53
Other	1	2			3
<b>Total Inflows</b>	<b>27</b>	<b>36</b>			<b>63</b>
Gross Loss & LAE Payments	5	2			7
Operating & Other Expenses	18	14			32
Tax Payments	-	20			20
<b>Total Outflows</b>	<b>23</b>	<b>36</b>			<b>59</b>
<b>Operating Cash Flow</b>	<b>4</b>	<b>-</b>			<b>4</b>
Investing Activities	(9)	261			252
Net Cash Flow	(5)	261			256
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<b>\$ 27</b>	<b>\$ 288</b>			<b>\$ 288</b>
Other Liquid Assets <sup>(3)</sup>	317	153			153
<b>Ending Liquidity Position</b>	<b>\$ 344</b>	<b>\$ 441</b>			<b>\$ 441</b>

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<b>\$ 174</b>	<b>\$ 83</b>	<b>\$ 135</b>	<b>\$ 40</b>	<b>\$ 174</b>
Premiums and Fees	1	3	4	7	15
Net Investment Income	26	35	25	34	120
Other	2	27	-	-	29
<b>Total Inflows</b>	<b>29</b>	<b>65</b>	<b>29</b>	<b>41</b>	<b>164</b>
Gross Loss & LAE Payments	5	4	3	1	13
Operating & Other Expenses	19	14	15	14	62
Tax Payments	-	56	25	25	106
<b>Total Outflows</b>	<b>24</b>	<b>74</b>	<b>43</b>	<b>40</b>	<b>181</b>
<b>Operating Cash Flow</b>	<b>5</b>	<b>(9)</b>	<b>(14)</b>	<b>1</b>	<b>(17)</b>
Financing Activities	-	-	-	(14)	(14)
Investing Activities	(96)	61	(81)	5	(111)
Net Cash Flow	(91)	52	(95)	(8)	(142)
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<b>\$ 83</b>	<b>\$ 135</b>	<b>\$ 40</b>	<b>\$ 32</b>	<b>\$ 32</b>
Other Liquid Assets <sup>(3)</sup>	342	294	347	304	304
<b>Ending Liquidity Position</b>	<b>\$ 425</b>	<b>\$ 429</b>	<b>\$ 387</b>	<b>\$ 336</b>	<b>\$ 336</b>

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Ending Liquidity Position excludes assets that are not readily available for sale such as cash & cash equivalents and assets designated to alternative investment strategy portfolios.

(2) Represents management's view of cash and cash equivalents; will not agree with National's Consolidated GAAP financial results which include other cash & cash equivalents of alternative investment strategies.

(3) Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

**National Public Finance Guarantee Corporation**  
(dollars in millions)

**Statutory Balance Sheets Summary**

	<b>6/30/2016</b>	<b>12/31/2015</b>
<b>Assets:</b>		
Cash and Investments	\$ 4,581	\$ 4,437
Asset Swap Facility with MBIA Inc.	132	199
Other Assets	41	41
<b>Total Assets</b>	<b>\$ 4,754</b>	<b>\$ 4,677</b>
<b>Liabilities:</b>		
Unearned Premiums	924	1,042
Loss and LAE Reserves <sup>(1)</sup>	21	(30)
Contingency Reserve	845	910
Asset Swap Facility with MBIA Inc.	132	199
Other Liabilities	180	78
<b>Total Liabilities</b>	<b>2,102</b>	<b>2,199</b>
<b>Total Policyholders' Surplus</b>	<b>2,652</b>	<b>2,478</b>
<b>Total Liabilities and Policyholders' Surplus</b>	<b>\$ 4,754</b>	<b>\$ 4,677</b>

**Claims-Paying Resources**

	<b>6/30/2016</b>	<b>12/31/2015</b>
<b>Balance Sheet</b>		
Policyholders' Surplus	\$ 2,652	\$ 2,478
Contingency Reserve	845	910
Statutory Capital	3,497	3,388
Unearned Premium Reserve	924	1,042
Present Value of Installment Premiums <sup>(1)</sup>	194	197
Premium Resources <sup>(2)</sup>	1,118	1,239
Net Loss and LAE Reserves <sup>(1)</sup>	21	(30)
Salvage Reserve	101	102
Gross Loss and LAE Reserves	122	72
<b>Total Claims-Paying Resources</b>	<b>\$ 4,737</b>	<b>\$ 4,699</b>
<b>Net Debt Service Outstanding</b>	<b>\$ 225,511</b>	<b>\$ 259,436</b>
<b>Capital Ratio</b>	<b>64:1</b>	<b>77:1</b>
<b>Claims-Paying Resources Ratio</b>	<b>52:1</b>	<b>61:1</b>

(1) As of June 30, 2016 and December 31, 2015, the discount rate was 3.04%.

(2) The amounts primarily consist of financial guarantee insurance premiums.

**U.S. Public Finance Insurance**  
**(National Public Finance Guarantee Corporation)**  
**Insured Portfolio Profile**  
**(dollars in millions)**

**By Geography**

Outstanding as of June 30, 2016

	Par Outstanding <sup>(1) (2)</sup>				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
<b>United States</b>								
California	\$ 27,560	19.9	\$ 26,811	20.0	\$ 50,072	21.5	\$ 48,591	21.4
New York	12,933	9.3	12,429	9.2	19,487	8.3	18,672	8.3
Florida	9,197	6.6	9,110	6.8	12,970	5.6	12,857	5.7
New Jersey	7,831	5.7	7,734	5.8	12,319	5.3	12,140	5.4
Illinois	7,306	5.3	7,026	5.2	17,121	7.3	16,448	7.3
Texas	7,286	5.3	7,110	5.3	11,645	5.0	10,968	4.9
Michigan	4,331	3.1	3,982	3.0	6,431	2.8	5,832	2.6
Puerto Rico	3,860	2.8	3,777	2.8	8,942	3.8	8,821	3.9
Massachusetts	3,674	2.6	3,354	2.5	5,436	2.3	4,886	2.2
Colorado	3,557	2.6	3,531	2.6	6,449	2.8	6,321	2.8
Subtotal	87,535	63.2	84,864	63.2	150,872	64.7	145,536	64.5
Other States & Territories	47,814	34.5	46,395	34.5	75,348	32.3	73,011	32.4
Nationally Diversified	3,128	2.3	3,121	2.3	6,977	3.0	6,964	3.1
Total	\$ 138,477	100.0	\$ 134,380	100.0	\$ 233,197	100.0	\$ 225,511	100.0

**By Bond Type**

Outstanding as of June 30, 2016

	Par Outstanding <sup>(1) (2)</sup>				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
<b>Bond Type</b>								
General Obligation	\$ 47,620	34.4	\$ 46,397	34.5	\$ 77,543	33.3	\$ 75,324	33.4
Municipal Utilities	23,499	17.0	22,926	17.1	34,956	15.0	33,942	15.1
Tax-Backed	19,658	14.2	19,127	14.2	37,511	16.1	36,243	16.1
Transportation	13,073	9.4	12,558	9.3	25,069	10.8	23,874	10.6
General Obligation - lease	12,287	8.9	11,447	8.5	17,408	7.5	16,102	7.1
Military Housing	7,456	5.4	7,447	5.6	17,077	7.3	17,059	7.6
Higher Education	7,048	5.1	6,845	5.1	10,869	4.7	10,527	4.7
Health Care	3,742	2.7	3,628	2.7	6,069	2.6	5,879	2.6
Investor Owned Utilities <sup>(3)</sup>	2,603	1.9	2,531	1.9	4,220	1.8	4,109	1.8
Municipal Housing	617	0.4	612	0.5	998	0.4	991	0.4
Other <sup>(4)</sup>	874	0.6	862	0.6	1,477	0.5	1,461	0.6
Total	\$ 138,477	100.0	\$ 134,380	100.0	\$ 233,197	100.0	\$ 225,511	100.0

(1) Net of refunded issues and reinsurance.

(2) For exposure classified as Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy.

(3) Includes Investor-Owned Utilities, Industrial Development and Pollution Control Revenue Bonds.

(4) Includes certain non-profit enterprises, stadium related financings and student loans.

**U.S. Public Finance Insurance**  
**(National Public Finance Guarantee Corporation)**  
**Insured Portfolio - 50 Largest Credits**  
**By Gross Par Outstanding as of June 30, 2016**  
(dollars in millions)

	Obligor Name	State	Internal Rating <sup>(1)</sup>	Gross Par Outstanding <sup>(2)</sup>	Gross Debt Service Outstanding
1	California General Obligation	CA	a1	\$ 1,760	\$ 2,438
2	Puerto Rico Electric Power Authority	PR	d	1,354	1,960
3	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	a3	1,348	2,631
4	Massachusetts General Obligation	MA	a1	1,322	1,714
5	Oregon School Boards Association General Obligation	OR	aa3	1,307	2,290
6	New Jersey Transportation Trust Fund Authority	NJ	a3	1,265	1,835
7	Long Island Power Authority Electric	NY	a3	1,222	1,618
8	Army Hawaii Family Housing	HI	aa2	1,135	2,441
9	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,061	2,358
10	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,037	1,695
11	Illinois Regional Transportation Authority	IL	aa3	1,036	1,576
12	Chicago General Obligation	IL	bbb2	989	2,107
13	San Diego Family Housing Privatization Military	CA	aa1	989	2,256
14	Puerto Rico General Obligation	PR	d	985	1,378
15	City of Chicago Board of Education	IL	bbb3	918	2,286
16	Arapahoe County E-470 Toll Road	CO	bbb1	910	2,815
17	Ohana Military Communities, LLC	HI	aa3	863	2,197
18	Michigan State Building Authority Lease	MI	a1	844	1,474
19	New York State Thruway Authority	NY	a2	841	1,206
20	Indiana Finance Authority Highway Lease	IN	aa2	841	1,148
21	Great River Energy Public Power	MN	a3	837	1,313
22	City of Detroit Sewage Disposal System	MI	bbb1	820	1,304
23	Los Angeles Unified School District General Obligation	CA	a1	811	1,120
24	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	796	1,333
25	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb2	783	1,127
26	New York City General Obligation	NY	aa3	703	853
27	Puerto Rico Sales Tax Financing Corporation	PR	a3	684	4,170
28	Atlantic Marine Corps Communities LLC 0 Lejeune Cherry Point	NC	aa3	664	1,501
29	Honolulu City & County Sewer	HI	a1	649	852
30	LCOR Alexandria L.L.C. Federal Lease	NC	bbb1	645	1,092
31	Denver City and County Airport System	CO	a1	644	888
32	District of Columbia General Obligation	DC	aa2	642	1,147
33	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	637	4,899
34	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	628	1,137
35	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	598	953
36	Springfield City Public Utilities Board Combined Utility	MO	aa2	588	602
37	JFK International Air Terminal Airport	NY	bbb3	577	758
38	Navy Mid-Atlantic Family Housing LLC	VA	aa2	556	1,216
39	University of California Regents	CA	aa3	545	1,023
40	New York State Power Authority	NY	aa2	537	941
41	City of Houston Combined Utility System Revenue Bonds	TX	a2	526	565
42	Alameda Corridor Transportation Authority Port Rev	CA	a3	523	1,519
43	The Port Authority of New York and New Jersey	NY	a1	522	810
44	Hudson Yards Infrastructure Corporation	NY	a3	500	1,198
45	Florida State Department of Transportation Turnpike	FL	aa3	495	528
46	Miami-Dade County Airport	FL	a3	492	948
47	MTA Commuter & Transit Transportation Revenue	NY	a2	484	805
48	New York State Lease	NY	a2	479	593
49	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	466	3,659
50	Illinois General Obligation	IL	bbb1	466	664
		<b>Total</b>		<b>\$ 40,324</b>	<b>\$ 78,941</b>
		<b>Total Portfolio Exposure</b>		<b>\$ 138,477</b>	<b>\$ 233,197</b>
		<b>50 Largest Credits as % of Total Portfolio</b>		<b>29.1%</b>	<b>33.9%</b>

(1) Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g. aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.).

(2) For exposure classified as through final maturity Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy; interest accretion on CABs after the issuance of our insurance policy is included in debt service.

**U.S. Public Finance Insurance**  
**(National Public Finance Guarantee Corporation)**  
**as of June 30, 2016**  
(dollars in millions)

**Credit Quality Distribution<sup>(1)</sup>**

	Gross Par Outstanding		Gross Debt Service Outstanding	
	Amount	%	Amount	%
<b>Public Finance</b>				
AAA	\$ 6,551	4.7%	\$ 9,213	4.0%
AA	65,029	47.0%	102,159	43.8%
A	47,184	34.1%	77,402	33.2%
BBB	13,463	9.7%	30,607	13.1%
<BBB	6,250	4.5%	13,816	5.9%
Total	\$ 138,477	100.0%	\$ 233,197	100.0%

**Top 10 Below Investment Grade (BIG) Credits by Gross Par Outstanding<sup>(1)</sup>**

Obligor Name	Gross Par Outstanding <sup>(2)</sup>	Gross Debt Service Outstanding
1 Puerto Rico Electric Power Authority	1,354	1,960
2 Puerto Rico General Obligation	985	1,378
3 City of Chicago Board of Education	918	2,286
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Puerto Rico Highway and Transportation Authority Transportation Revenue	628	1,137
6 Atlantic City Casino Reinvestment Development Authority Parking Fee	160	201
7 Philadelphia School District GO	147	247
8 Fresno City Pension Obligation	139	211
9 North Las Vegas Water & Sewer	120	187
10 Capital Projects Finance Authority Florida Universities Student Housing 2000F-1	113	167
<b>Total Top 10 BIG Outstanding</b>	<b>\$ 5,248</b>	<b>\$ 11,944</b>
Total BIG Outstanding	\$ 6,250	\$ 13,816
Total National Outstanding	\$ 138,477	\$ 233,197
<b>Top 10 BIG as % of National</b>	<b>3.8%</b>	<b>5.1%</b>
<b>Total BIG as % of National</b>	<b>4.5%</b>	<b>5.9%</b>
<b>Total BIG as % of National by National ratings</b>	<b>2.8%</b>	<b>2.6%</b>

(1) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the S&P Priority Method; where S&P's underlying rating is used, when available, Moody's underlying rating is used if the S&P underlying rating is not available and an internal underlying rating is used if neither S&P's nor Moody's underlying ratings are available. For credits where National has insured a credit that was already insured by another bond insurer, the underlying rating used is the higher of the underlying rating of the uninsured credit or the bond insurer's credit rating.

(2) For exposure classified as through final maturity Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy; interest accretion on CABs after the issuance of our insurance policy is included in debt service.

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