



**national  
public finance  
guarantee**



# Fourth Quarter 2016 Operating Supplement

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(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)

	December 31, 2016	December 31, 2015
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,855 and \$4,048)	\$ 3,806	\$ 3,990
Investments carried at fair value	120	133
Investments pledged as collateral, at fair value (amortized cost \$131 and \$204)	131	203
Short-term investments held as available-for-sale, at fair value (amortized cost \$104 and \$79)	104	79
Other investments (includes investments at fair value of \$3 and \$9)	6	12
Total investments	4,167	4,417
Cash and cash equivalents	75	51
Securities purchased under agreements to resell	129	199
Premiums receivable	190	198
Deferred acquisition costs	162	206
Insurance loss recoverable	162	4
Other assets	47	47
<b>Total assets</b>	<b>\$ 4,932</b>	<b>\$ 5,122</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 745	\$ 967
Loss and loss adjustment expense reserves	96	45
Securities sold under agreements to repurchase	129	199
Deferred income taxes, net	60	100
Other liabilities	68	81
<b>Total liabilities</b>	1,098	1,392
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,327	2,286
Retained earnings	1,523	1,466
Accumulated other comprehensive income (loss), net of tax of \$17 and \$20	(31)	(37)
<b>Total equity</b>	3,834	3,730
<b>Total liabilities and equity</b>	<b>\$ 4,932</b>	<b>\$ 5,122</b>

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

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Twelve Months Ended</u> <u>December 31,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 22	\$ 28	\$ 98	\$ 124
Refunding premiums earned	40	50	136	179
Premiums earned	62	78	234	303
Net investment income	29	30	119	116
Fees and reimbursements	-	1	2	3
Net gains (losses) on financial instruments at fair value and foreign exchange	6	10	72	14
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	-	-	(9)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	(4)	-	(4)	-
Net investment losses related to other-than-temporary impairments	(4)	-	(4)	(9)
Other net realized gains (losses)	2	-	2	(4)
Total revenues	<u>95</u>	<u>119</u>	<u>425</u>	<u>423</u>
<b>Expenses:</b>				
Losses and loss adjustment	28	10	74	5
Amortization of deferred acquisition costs	13	16	49	65
Operating	15	15	60	62
Total expenses	<u>56</u>	<u>41</u>	<u>183</u>	<u>132</u>
Income (loss) before income taxes	39	78	242	291
Provision (benefit) for income taxes	(1)	27	67	101
<b>Net income (loss)</b>	<b><u>\$ 40</u></b>	<b><u>\$ 51</u></b>	<b><u>\$ 175</u></b>	<b><u>\$ 190</u></b>

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

	Three Months Ended December 31, 2016			Twelve Months Ended December 31, 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	\$ 62	\$ -	\$ 62	\$ 236	\$ -	\$ 236
Net investment income	29	-	29	119	-	119
Fees and reimbursements	-	-	-	2	-	2
Net gains (losses) on financial instruments at fair value and foreign exchange	7	7	-	72	68	4
Net investment losses related to other-than-temporary impairments	(4)	(4)	-	(4)	(4)	-
Other net realized gains (losses)	2	-	2	2	-	2
Total revenues	96	3	93	427	64	363
<b>Expenses:</b>						
Losses and loss adjustment	28	-	28	74	-	74
Amortization of deferred acquisition costs	13	-	13	49	-	49
Operating	15	-	15	60	-	60
Total expenses	56	-	56	183	-	183
<b>Income (loss) before income taxes</b>	<b>40</b>	<b>3</b>	<b>37</b>	<b>244</b>	<b>64</b>	<b>180</b>
Provision (benefit) for income taxes	(1)	(13)	12	68	8	60
<b>Net income (loss)</b>	<b>\$ 41</b>	<b>\$ 16</b>	<b>\$ 25</b>	<b>\$ 176</b>	<b>\$ 56</b>	<b>\$ 120</b>

	Three Months Ended December 31, 2015			Twelve Months Ended December 31, 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	\$ 78	\$ -	\$ 78	\$ 304	\$ -	\$ 304
Net investment income	30	-	30	116	-	116
Fees and reimbursements	1	-	1	3	-	3
Net gains (losses) on financial instruments at fair value and foreign exchange	10	11	(1)	14	14	-
Net investment losses related to other-than-temporary impairments	(1)	(1)	-	(10)	(10)	-
Other net realized gains (losses)	-	-	-	(4)	-	(4)
Total revenues	118	10	108	423	4	419
<b>Expenses:</b>						
Losses and loss adjustment	10	-	10	5	-	5
Amortization of deferred acquisition costs	16	-	16	65	-	65
Operating	15	-	15	62	-	62
Total expenses	41	-	41	132	-	132
<b>Income (loss) before income taxes</b>	<b>77</b>	<b>10</b>	<b>67</b>	<b>291</b>	<b>4</b>	<b>287</b>
Provision (benefit) for income taxes	26	3	23	100	1	99
<b>Net income (loss)</b>	<b>\$ 51</b>	<b>\$ 7</b>	<b>\$ 44</b>	<b>\$ 191</b>	<b>\$ 3</b>	<b>\$ 188</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>Full Year</u>
<b>2016</b>					
Scheduled Premiums Earned	\$ 26,100	\$ 27,002	\$ 23,584	\$ 21,894	\$ 98,580
Refunded Premiums Earned	32,085	29,076	35,428	40,559	137,148
Total	\$ 58,185	\$ 56,078	\$ 59,012	\$ 62,453	\$ 235,728
<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)**

Premium Receivable as of December 31, 2015	Premium Payments Received	Premium from New Business Written	Changes in Expected Term of Policies	Accretion of Premium Receivable Discount	Other	Premium Receivable as of December 31, 2016
\$197,699	\$(20,924)	\$10,466	\$(2,490)	\$5,727	\$(474)	\$190,004

(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	
4th Qtr. 2016	110,367	191,515	747					7
1st Qtr. 2017	107,576	186,939	727	17	3	1	21	2
2nd Qtr. 2017	104,410	182,393	708	16	3	1	20	3
3rd Qtr. 2017	99,706	175,704	690	15	3	1	19	4
4th Qtr. 2017	96,597	171,085	672	15	3	1	19	4
2018	88,879	157,699	605	56	11	5	72	13
2019	82,012	145,462	545	50	10	5	65	13
2020	75,450	133,717	489	46	10	5	61	12
2021	69,082	122,581	438	41	10	5	56	12
2022-2026	43,399	76,863	240	155	43	20	218	55
2027-2031	22,533	41,829	122	83	35	15	133	49
2032-2036	9,484	20,584	58	37	27	10	74	42
2037-2041	5,029	11,129	23	15	20	6	41	33
2042-2046	2,242	3,590	5	6	12	3	21	22
2047 and thereafter	143	544	-	2	3	-	5	5
Total				\$554	\$193	\$78	\$825	\$269

(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 December 31, 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>	\$ 375	9	\$ 340	5.79
Long-Term Taxable	3,562	88	3,646	3.30
Short-Term	104	3	104	0.35
Total Fixed-Maturity	4,041	100	\$ 4,090	3.43
Cash and Cash Equivalents	76			
Total Fixed Income Including Cash and Cash Equivalents	4,117			
Investments Carried at Fair Value	120			
Other	6			
Total	\$ 4,243			

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

Corporate Obligations	\$ 1,301	32
State and Municipal Bonds	1,185	29
MBS	904	22
US Treasury	379	9
ABS	184	4
Money Markets	85	2
Cash and Cash Equivalents	76	2
Foreign Governments	3	-
Total	\$ 4,117	100

**Effective Maturity Profile**

Cash and Cash Equivalents	\$ 76	2
≤ 1 yr	367	9
> 1 to 5 yrs	1,142	28
> 5 to 10 yrs	766	19
> 10 to 15 yrs	203	5
> 15 to 20 yrs	276	6
> 20 yrs	1,287	31
Total	\$ 4,117	100

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

**Rating <sup>(3)</sup>**

Aaa	\$ 1,706	43
Aa	934	24
A	845	21
Baa	136	4
BIG	141	4
NR	175	4
Total	\$ 3,937	100

*Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 11.49 years*  
*Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 6.08 years*

- (1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$129 million; the total market value of encumbered assets totals \$131 million.
- (2) Includes \$144 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National), \$144 million of Puerto Rico Electric Power Authority bonds (uninsured) and \$213 thousand of Puerto Rico Municipal Finance Agency Bonds (insured by Assured Guaranty Municipal Corp.) at fair value.
- (3) 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.	Full Year
Beginning Gross Loss and LAE Reserves	\$ 45	\$ 52	\$ 58	\$ 72	\$ 45
Beginning Gross Insurance Loss Recoverable	(4)	(3)	(2)	(163)	(4)
Beginning Gross Reserves	41	49	56	(91)	41
Ceded Reserves	-	-	-	-	-
Net Reserves	41	49	56	(91)	41
Increase (Decrease) in Expected Payments	19	9	188	21	237
(Increase) Decrease in Expected Salvage	(10)	-	(160)	7	(163)
Net (Payments), Collections and Other <sup>(1)</sup>	(1)	(2)	(175)	(3)	(181)
Net Reserves	49	56	(91)	(66)	(66)
Ceded Reserves	-	-	-	-	-
Gross Reserves	49	56	(91)	(66)	(66)
Gross Loss and LAE Reserves	52	58	72	96	96
Gross Insurance Loss Recoverable	\$ (3)	\$ (2)	\$ (163)	\$ (162)	\$ (162)

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.	Full Year
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 32	\$ 27	\$ 288	\$ 65	\$ 32
Premiums and Fees	5	2	2	3	12
Net Investment Income	21	32	21	29	103
Other	1	2	2	1	6
Total Inflows	<u>27</u>	<u>36</u>	<u>25</u>	<u>33</u>	<u>121</u>
Gross Loss & LAE Payments	5	2	176	-	183
Operating & Other Expenses	18	14	13	15	60
Tax Payments	-	20	28	31	79
Total Outflows	<u>23</u>	<u>36</u>	<u>217</u>	<u>46</u>	<u>322</u>
Operating Cash Flow	4	-	(192)	(13)	(201)
Financing Activities	-	-	-	(118)	(118)
Investing Activities	(9)	261	(31)	181	402
Net Cash Flow	<u>(5)</u>	<u>261</u>	<u>(223)</u>	<u>50</u>	<u>83</u>
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<b>\$ 27</b>	<b>\$ 288</b>	<b>\$ 65</b>	<b>\$ 115</b>	<b>\$ 115</b>
Other Liquid Assets <sup>(3)</sup>	317	153	245	251	251
<b>Ending Liquidity Position</b>	<b>\$ 344</b>	<b>\$ 441</b>	<b>\$ 310</b>	<b>\$ 366</b>	<b>\$ 366</b>

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

	12/31/2016	12/31/2015
<b>Assets:</b>		
Cash and Investments	\$ 4,184	\$ 4,437
Asset Swap Facility with MBIA Inc.	129	199
Other Assets	42	41
<b>Total Assets</b>	<b>\$ 4,355</b>	<b>\$ 4,677</b>
<b>Liabilities:</b>		
Unearned Premiums	786	1,042
Loss and LAE Reserves <sup>(1)</sup>	(98)	(30)
Contingency Reserve	745	910
Asset Swap Facility with MBIA Inc.	129	199
Other Liabilities	62	78
<b>Total Liabilities</b>	<b>1,624</b>	<b>2,199</b>
<b>Total Policyholders' Surplus</b>	<b>2,731</b>	<b>2,478</b>
<b>Total Liabilities and Policyholders' Surplus</b>	<b>\$ 4,355</b>	<b>\$ 4,677</b>

**Claims-Paying Resources**

	12/31/2016	12/31/2015
<b>Balance Sheet</b>		
Policyholders' Surplus	\$ 2,731	\$ 2,478
Contingency Reserve	745	910
Statutory Capital	3,476	3,388
Unearned Premium Reserve	786	1,042
Present Value of Installment Premiums <sup>(1)</sup>	187	197
Premium Resources <sup>(2)</sup>	973	1,239
Net Loss and LAE Reserves <sup>(1)</sup>	(98)	(30)
Salvage Reserve	256	102
Gross Loss and LAE Reserves	158	72
<b>Total Claims-Paying Resources</b>	<b>\$ 4,607</b>	<b>\$ 4,699</b>
<b>Net Debt Service Outstanding</b>	<b>\$ 185,099</b>	<b>\$ 259,436</b>
<b>Capital Ratio</b>	<b>53:1</b>	<b>77:1</b>
<b>Claims-Paying Resources Ratio</b>	<b>43:1</b>	<b>61:1</b>

(1) As of December 31, 2016 and 2015, the discount rate were 3.18% and 3.04%, respectively.

(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 December 31, 2016

	Par Outstanding <sup>(1)</sup>				Debt Service Outstanding <sup>(1)</sup>			
	Gross		Net		Gross		Net	
	Amount	%	Amount <sup>(2)</sup>	%	Amount	%	Amount <sup>(2)</sup>	%
<b>United States</b>								
California	\$ 22,911	20.8	\$ 22,236	20.8	\$ 42,684	22.3	\$ 41,356	22.3
New York	10,751	9.7	10,253	9.6	16,286	8.5	15,491	8.4
New Jersey	7,270	6.6	7,173	6.7	11,524	6.0	11,355	6.1
Florida	6,369	5.8	6,292	5.9	8,753	4.6	8,651	4.7
Illinois	6,239	5.7	5,962	5.6	15,349	8.0	14,687	7.9
Texas	5,687	5.1	5,520	5.1	9,085	4.8	8,438	4.6
Puerto Rico	3,606	3.3	3,533	3.3	8,588	4.5	8,479	4.6
Massachusetts	3,130	2.8	2,813	2.6	4,676	2.4	4,137	2.2
Michigan	2,962	2.7	2,846	2.7	4,191	2.2	4,008	2.2
Georgia	2,861	2.6	2,729	2.5	3,901	2.0	3,672	2.0
Subtotal	71,786	65.1	69,357	64.8	125,037	65.3	120,274	65.0
Other States & Territories	35,472	32.1	34,550	32.3	59,610	31.1	57,970	31.3
Nationally Diversified	3,109	2.8	3,102	2.9	6,868	3.6	6,855	3.7
Total	\$ 110,367	100.0	\$ 107,009	100.0	\$ 191,515	100.0	\$ 185,099	100.0

**By Bond Type**

Outstanding as of December 31, 2016

Bond Type	Par Outstanding <sup>(1)</sup>				Debt Service Outstanding <sup>(1)</sup>			
	Gross		Net		Gross		Net	
	Amount	%	Amount <sup>(2)</sup>	%	Amount	%	Amount <sup>(2)</sup>	%
General Obligation <sup>(3)</sup>	\$ 38,306	34.7	\$ 37,149	34.7	\$ 64,557	33.7	\$ 62,496	33.8
Municipal Utilities	17,352	15.7	16,935	15.8	26,046	13.6	25,259	13.6
Tax-Backed	16,690	15.1	16,209	15.1	33,017	17.2	31,862	17.2
Transportation	11,056	10.0	10,586	9.9	21,748	11.4	20,639	11.1
General Obligation - lease	8,698	7.9	8,247	7.7	12,238	6.4	11,558	6.2
Military Housing	7,410	6.7	7,401	6.9	16,821	8.8	16,803	9.1
Higher Education	4,466	4.0	4,270	4.0	6,800	3.6	6,477	3.5
Health Care	2,735	2.5	2,632	2.5	4,191	2.2	4,017	2.2
Investor Owned Utilities <sup>(4)</sup>	2,280	2.1	2,219	2.1	3,737	1.9	3,648	2.0
Municipal Housing	439	0.4	437	0.4	699	0.4	695	0.4
Other <sup>(5)</sup>	935	0.9	924	0.9	1,661	0.8	1,645	0.9
Total	\$ 110,367	100.0	\$ 107,009	100.0	\$ 191,515	100.0	\$ 185,099	100.0

(1) 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, interest accretion on CABs after the issuance of our insurance policy is included in debt service.

(2) Net of reinsurance.

(3) Includes general obligation unlimited and limited (property) tax bonds, general fund obligation bonds and pension obligation bonds of states, cities, counties, schools and special districts.

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

(5) 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 December 31, 2016**  
(dollars in millions)

	Obligor Name	State	Internal Rating <sup>(1)</sup>	Gross Par Outstanding <sup>(2)</sup>	Gross Debt Service Outstanding <sup>(2)</sup>
1	California General Obligation	CA	a1	\$ 1,553	\$ 2,035
2	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	a3	1,348	2,583
3	Oregon School Boards Association General Obligation	OR	aa3	1,307	2,260
4	Puerto Rico Electric Power Authority	PR	d	1,249	1,820
5	Massachusetts General Obligation	MA	a1	1,221	1,585
6	New Jersey Transportation Trust Fund Authority	NJ	a3	1,156	1,694
7	Army Hawaii Family Housing	HI	aa2	1,130	2,407
8	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,056	2,321
9	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,021	1,654
10	Illinois Regional Transportation Authority	IL	aa3	1,003	1,514
11	San Diego Family Housing Privatization Military	CA	aa1	984	2,222
12	Chicago General Obligation	IL	bbb2	977	2,073
13	City of Chicago Board of Education	IL	bbb3	876	2,199
14	Puerto Rico General Obligation	PR	d	855	1,203
15	Ohana Military Communities, LLC	HI	aa3	855	2,166
16	Arapahoe County E-470 Toll Road	CO	bbb1	852	2,718
17	New York State Thruway Authority	NY	a2	841	1,188
18	Great River Energy Public Power	MN	a3	788	1,238
19	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	752	1,262
20	Long Island Power Authority Electric	NY	a3	747	909
21	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb2	739	1,065
22	Puerto Rico Sales Tax Financing Corporation	PR	bbb3	684	4,170
23	Atlantic Marine Corps Communities LLC 0 Lejeune Cherry Point	NC	aa3	660	1,479
24	District of Columbia General Obligation	DC	aa2	642	1,132
25	LCOR Alexandria L.L.C. Federal Lease	VA	bbb1	637	1,061
26	City of Detroit Sewage Disposal System	MI	bbb1	631	956
27	Los Angeles Unified School District General Obligation	CA	a1	628	903
28	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	619	1,113
29	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	617	4,828
30	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	598	936
31	New Jersey Turnpike Authority	NJ	a2	594	746
32	New York City General Obligation	NY	aa3	560	692
33	Navy Mid-Atlantic Family Housing LLC	VA	aa2	554	1,199
34	JFK International Air Terminal Airport	NY	bbb3	533	697
35	The Port Authority of New York and New Jersey	NY	a1	521	796
36	New York State Power Authority	NY	aa2	501	891
37	Alameda Corridor Transportation Authority Port Rev	CA	a3	500	1,483
38	Hudson Yards Infrastructure Corporation	NY	a3	500	1,186
39	City of Houston Combined Utility System Revenue Bonds	TX	a2	498	521
40	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	454	717
41	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	439	3,426
42	Kentucky Property & Buildings Commission Lease	KY	aa3	437	488
43	Georgia Municipal Electric Authority	GA	a2	435	499
44	Oglethorpe Power Corporation	GA	a3	410	755
45	Navy Southeast	FL	bbb3	409	1,054
46	Oakland Port and Airport Revenue	CA	a1	402	540
47	District of Columbia Sales Tax-Stadium Revenue	DC	bbb1	399	685
48	San Francisco International Airport	CA	a2	396	458
49	Houston City Airport System	TX	a1	392	540
50	Detroit City Water System	MI	a3	390	533
	<b>Total</b>			<b>\$ 36,350</b>	<b>\$ 72,600</b>
	<b>Total Portfolio Exposure</b>			<b>\$ 110,367</b>	<b>\$ 191,515</b>
	<b>50 Largest Credits as % of Total Portfolio</b>			<b>32.9%</b>	<b>37.9%</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 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 December 31, 2016**  
(dollars in millions)

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

	Gross Par Outstanding <sup>(2)</sup>		Gross Debt Service Outstanding <sup>(2)</sup>	
	Amount	%	Amount	%
<b>Public Finance</b>				
AAA	\$ 5,167	4.7%	\$ 7,586	4.0%
AA	49,466	44.8%	79,131	41.3%
A	34,544	31.3%	56,928	29.7%
BBB	15,120	13.7%	34,392	18.0%
<BBB	6,070	5.5%	13,478	7.0%
Total	\$ 110,367	100.0%	\$ 191,515	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 <sup>(2)</sup>
1 Puerto Rico Electric Power Authority	\$ 1,249	\$ 1,820
2 City of Chicago Board of Education	876	2,199
3 Puerto Rico General Obligation	855	1,203
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Puerto Rico Highway and Transportation Authority Transportation Revenue	619	1,113
6 Virgin Islands Public Finance Authority Gross Receipts	197	277
7 Atlantic City Casino Reinvestment Development Authority Parking Fee	159	197
8 Frontier Communications Corporation	139	238
9 Fresno City Pension Obligation	139	206
10 North Las Vegas Water & Sewer	117	180
<b>Total Top 10 BIG Outstanding</b>	<b>\$ 5,034</b>	<b>\$ 11,603</b>
Total BIG Outstanding	\$ 6,070	\$ 13,478
Total National Outstanding	\$ 110,367	\$ 191,515
<b>Top 10 BIG as % of National</b>	<b>4.6%</b>	<b>6.1%</b>
<b>Total BIG as % of National</b>	<b>5.5%</b>	<b>7.0%</b>
<b>Total BIG as % of National by National ratings</b>	<b>3.4%</b>	<b>3.2%</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 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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