



**national
public finance
guarantee**

Operating Supplement

First Quarter 2013

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,” “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, uncertainty regarding whether the Company will realize, or will be delayed in realizing, insurance loss recoveries expected in disputes with sellers/servicers of RMBS transactions at the levels recorded in its financial statements, the possibility that the Company will experience severe losses or liquidity needs due to increased deterioration in its insurance portfolios and in particular, due to the performance of CDOs including multi-sector, CMBS and CRE CDOs and RMBS, failure to obtain regulatory approval to implement our risk reduction and liquidity strategies, the possibility that loss reserve estimates are not adequate to cover potential claims, the risk that MBIA Insurance Corporation will be placed in a rehabilitation or liquidation proceeding by the New York State Department of Financial Services (“NYDFS”); the Company’s ability to access capital and the Company’s exposure to significant fluctuations in liquidity and asset values within the global credit markets, in particular in the ALM business, the Company’s ability to fully implement its strategic plan, including its ability to achieve high stable ratings for National or any other insurance subsidiaries, and the Company’s ability to commute certain of its insured exposures, including as a result of limited available liquidity, the Company’s ability to favorably resolve litigation claims against the Company, and changes in general economic and competitive conditions. 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.

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⁽¹⁾ This report is unaudited.

U.S. Public Finance Insurance
(primarily National Public Finance Guarantee Corporation)
Net Premiums Earned and Refundings and Other Accelerations ⁽¹⁾
(dollars in thousands)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Net Premiums Earned					
2013					
Financial Guarantee	\$ 102,365				\$ 102,365
Insured Derivatives	98				98
Total	\$ 102,463				\$ 102,463
2012					
Financial Guarantee	\$ 106,596	\$ 129,675	\$ 133,633	\$ 121,974	\$ 491,878
Insured Derivatives	105	105	105	100	415
Total	\$ 106,701	\$ 129,780	\$ 133,738	\$ 122,074	\$ 492,293
Refundings and Other Accelerations					
2013					
Financial Guarantee	\$ 46,869				\$ 46,869
Insured Derivatives	-				-
Total	\$ 46,869				\$ 46,869
2012					
Financial Guarantee	\$ 47,321	\$ 72,688	\$ 82,068	\$ 68,554	\$ 270,631
Insured Derivatives	-	-	42	668	710
Total	\$ 47,321	\$ 72,688	\$ 82,110	\$ 69,222	\$ 271,341

⁽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.

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

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Net Unearned Premiums ⁽¹⁾	Expected Future Premium Earnings ⁽¹⁾⁽²⁾				Cash Premiums Collected and Expected ⁽³⁾
				Upfront	Installments	Accretion	Total	
1st Qtr. 2013	323,851	508,032	1,830					2
2nd Qtr. 2013	316,706	497,018	1,779	47	4	2	53	4
3rd Qtr. 2013	305,542	481,303	1,731	44	4	2	50	4
4th Qtr. 2013	297,728	469,681	1,684	43	4	2	49	6
2014	270,356	427,143	1,513	157	14	7	178	16
2015	248,029	390,914	1,360	140	13	7	160	16
2016	229,587	359,459	1,221	126	13	6	145	16
2017	212,285	329,702	1,094	114	13	6	133	15
2018-2022	139,376	207,472	604	432	58	27	517	71
2023-2027	79,204	113,816	300	257	47	21	325	61
2028 and thereafter	-	-	-	204	96	30	330	152
Total				\$ 1,564	\$ 266	\$ 110	\$ 1,940	\$ 363

⁽¹⁾ Includes financial guarantee and insured derivative premiums.

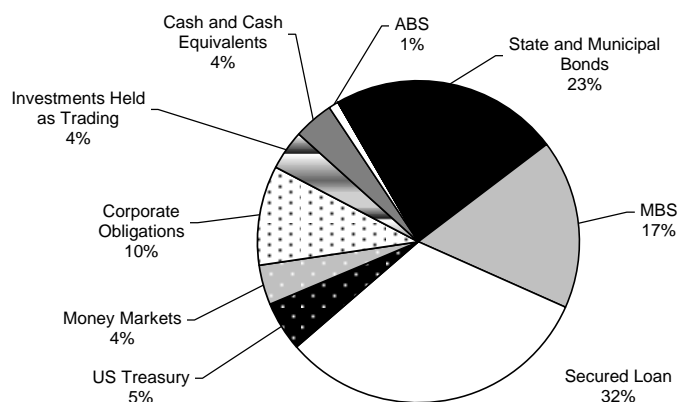
⁽²⁾ Actual future premium earnings will differ from the current projection due to the addition of new business and refundings.

⁽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 and Secured Loan
As of March 31, 2013
(dollars in thousands)

Investments ⁽¹⁾	Market Value	% of Market Value	Amortized Cost	Book Yield
Fixed-Maturity Securities:				
Tax Exempt	\$ 397,550	13%	\$ 375,894	3.89%
Taxable	2,454,320	78	2,409,071	2.82
Short-Term	288,875	9	288,510	0.73
Total Fixed-Maturity	3,140,745	100%	\$ 3,073,475	2.75%
Cash and Cash Equivalents	223,787			
Total Fixed Income Including Cash and Cash Equivalents	3,364,532			
Secured Loan to MBIA Corp. ⁽²⁾	1,680,545			
Investments Held as Trading	188,231			
Other	19,863			
Total	\$ 5,253,171			

Total Investment Portfolio
Including Cash and Cash Equivalents and Secured Loan
Market Value Outstanding \$5,253,171



Effective Maturity Profile		Market Value	% of Market Value	Quality Distribution of Long-Term Fixed-Maturity Securities	
				Rating	% of Market Value
Cash and Cash Equivalents	\$ 223,787	4.4%			
≤ 1 yr	288,875	5.7%			
> 1 to 5 yrs ⁽³⁾	2,290,968	45.4%			
> 5 to 10 yrs	649,381	12.9%		Aaa	52%
> 10 to 15 yrs	314,626	6.2%		Aa	29
> 15 to 20 yrs	204,785	4.1%		A	14
> 20 yrs	1,072,655	21.3%		Baa	4
Total Fixed Income Including Cash and Cash Equivalents and Secured Loan	\$ 5,045,077	100.0%		BIG	1
					100.0%

Long-Term average maturity: 6.05 years
Duration: 3.84 years

⁽¹⁾ Includes Asset Swap between National and MBIA Inc. with notional amount of \$474 million; the total market value of encumbered assets totals \$497 million.
⁽²⁾ On April 1, 2013, the loan balance increased by \$29 million due to the capitalization of unpaid accrued interest. Subsequent to March 31, 2013, the remaining outstanding balance and accrued interest on the secured loan was fully repaid.
⁽³⁾ Includes \$1.681 billion of secured loan due from MBIA Insurance Corp. to National, which was fully repaid subsequent to March 31, 2013.

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

2013	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Gross Loss and LAE Reserves	\$ 152				\$ 152
Beginning Gross Insurance Loss Recoverable	(249)				(249)
Beginning Gross Reserves	(97)				(97)
Ceded Reserves	-				-
Net Reserves	(97)				(97)
Change in Actual and Expected Payments	5				5
Change in Actual and Expected Salvage	(1)				(1)
Net (Payments), Collections and Other	(1)				(1)
Net Reserves	(94)				(94)
Ceded Reserves	-				-
Gross Reserves	(94)				(94)
Gross Loss and LAE Reserves	160				160
Gross Insurance Loss Recoverable	\$ (254)				\$ (254)

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Gross Loss and LAE Reserves	\$ 162	\$ 175	\$ 167	\$ 162	\$ 162
Beginning Gross Insurance Loss Recoverable	(150)	(161)	(172)	(230)	(150)
Beginning Gross Reserves	12	14	(5)	(68)	12
Ceded Reserves	-	-	-	-	-
Net Reserves	12	14	(5)	(68)	12
Change in Actual and Expected Payments	22	45	(9)	11	69
Change in Actual and Expected Salvage	(8)	(48)	13	(5)	(48)
Net (Payments), Collections and Other	(12)	(16)	(67)	(35)	(130)
Net Reserves	14	(5)	(68)	(97)	(97)
Ceded Reserves	-	-	-	-	-
Gross Reserves	14	(5)	(68)	(97)	(97)
Gross Loss and LAE Reserves	175	167	162	152	152
Gross Insurance Loss Recoverable	\$ (161)	\$ (172)	\$ (230)	\$ (249)	\$ (249)

National Public Finance Guarantee Corporation

**Liquidity Position ⁽¹⁾
(dollars in millions)**

2013	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents ⁽²⁾:	\$ 231				\$ 231
Premiums and Fees	4				4
Net Investment Income	21				21
Other	-				-
Total Inflows	<u>25</u>				<u>25</u>
Gross Loss & LAE Payments	2				2
Operating & Other Expenses	20				20
Tax Payments	<u>17</u>				<u>17</u>
Total Outflows	<u>39</u>				<u>39</u>
Operating Cash Flow	(14)				(14)
Financing Activities	-				-
Investing Activities	<u>(30)</u>				<u>(30)</u>
Net Cash Flow	(44)				(44)
Ending Cash & Cash Equivalents ⁽²⁾:	<u>\$ 187</u>				<u>\$ 187</u>
Other Liquid Assets ⁽⁴⁾	253				253
Ending Liquidity Position	<u>\$ 440</u>				<u>\$ 440</u>

2012	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents ⁽²⁾:	\$ 117	\$ 191	\$ 57	\$ 27	\$ 117
Premiums and Fees ⁽³⁾	(3)	3	(2)	5	3
Net Investment Income	35	36	34	29	134
Other	-	-	9	28	37
Total Inflows	<u>32</u>	<u>39</u>	<u>41</u>	<u>62</u>	<u>174</u>
Gross Loss & LAE Payments	13	16	75	63	167
Operating & Other Expenses	21	75	33	20	149
Tax Payments	<u>35</u>	<u>21</u>	<u>50</u>	<u>80</u>	<u>186</u>
Total Outflows	<u>69</u>	<u>112</u>	<u>158</u>	<u>163</u>	<u>502</u>
Operating Cash Flow	(37)	(73)	(117)	(101)	(328)
Financing Activities	-	-	-	-	-
Investing Activities	111	(61)	87	305	442
Net Cash Flow	74	(134)	(30)	204	114
Ending Cash & Cash Equivalents ⁽²⁾:	<u>\$ 191</u>	<u>\$ 57</u>	<u>\$ 27</u>	<u>\$ 231</u>	<u>\$ 231</u>
Other Liquid Assets ⁽⁴⁾	499	295	291	188	188
Ending Liquidity Position	<u>\$ 690</u>	<u>\$ 352</u>	<u>\$ 318</u>	<u>\$ 419</u>	<u>\$ 419</u>

(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) Net of refunded premiums to MBIA Corp. of \$6 million, \$5 million and \$4 million, respectively, in the first three quarters of 2012.

(4) 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
Statutory Balance Sheet Summary
(dollars in millions)

	3/31/2013	12/31/2012
Assets:		
Cash and Investments	\$ 3,532	\$ 3,514
Secured Loan with MBIA Corp. ⁽¹⁾	1,681	1,651
Asset Swap Facility with MBIA Inc.	473	481
Other Assets	83	80
Total Assets	\$ 5,769	\$ 5,726
Liabilities:		
Unearned Premiums	1,951	2,041
Loss and LAE Reserves ⁽²⁾	(103)	(109)
Contingency Reserve	1,245	1,249
Asset Swap Facility	473	481
Other Liabilities	99	65
Total Liabilities	3,665	3,727
Total Policyholders' Surplus	2,104	1,999
Total Liabilities and Policyholders' Surplus	\$ 5,769	\$ 5,726

Claims-Paying Resources
(dollars in millions)

Statutory Basis		
	3/31/2013	12/31/2012
<u>Balance Sheet</u>		
Policyholders' Surplus	\$ 2,104	\$ 1,999
Contingency Reserve	1,245	1,249
Statutory Capital	3,349	3,248
Unearned Premium Reserve	1,951	2,041
Present Value of Installment Premiums ⁽²⁾	213	217
Premium Resources ⁽³⁾	2,164	2,258
Net Loss and LAE Reserves ⁽²⁾	(103)	(109)
Salvage Reserve	263	262
Gross Loss and LAE Reserves	160	153
Total Claims-Paying Resources	\$ 5,673	\$ 5,659
Net Debt Service Outstanding	\$ 496,903	\$ 519,458
Capital Ratio	148:1	160:1
Claims-Paying Resources Ratio	101:1	107:1

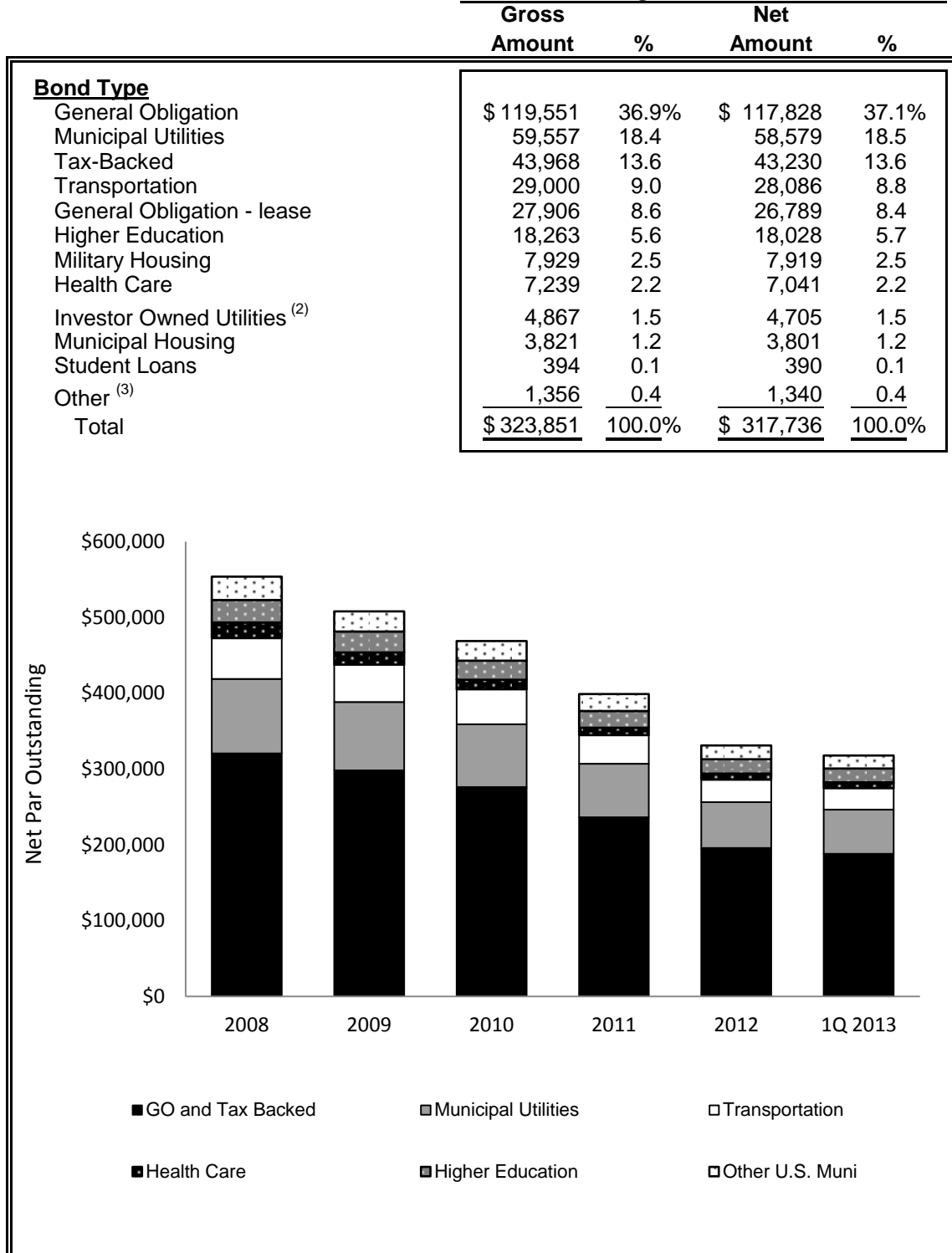
⁽¹⁾ On April 1, 2013, the loan balance increased by \$29 million due to the capitalization of unpaid accrued interest. Subsequent to March 31, 2013, the remaining outstanding balance and accrued interest on the secured loan was fully repaid.

⁽²⁾ At March 31, 2013 and December 31, 2012, the discount rate was 4.54%.

⁽³⁾ The amounts consist of primarily Financial Guarantee insurance premiums.

**U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio Profile
Par Value by Bond Type
(dollars in millions)**

Outstanding as of March 31, 2013⁽¹⁾



⁽¹⁾ Net of refunded issues and reinsurance; includes \$4.3 billion of reinsurance ceded by FGIC to third parties.

⁽²⁾ Includes Investor-Owned Utilities, Industrial Development and Pollution Control Revenue bonds.

⁽³⁾ Includes certain non-profit enterprises and stadium related financings.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio Profile
Par Value by Geography
(dollars in millions)

Outstanding as of March 31, 2013 ⁽¹⁾				
	Gross	%	Net	%
	Amount		Amount	
<u>United States</u>				
California	\$ 60,770	18.8%	\$ 59,556	18.7%
New York	29,577	9.1	28,848	9.1
Florida	23,654	7.3	23,340	7.3
Texas	20,567	6.4	20,339	6.4
Illinois	16,767	5.2	16,376	5.2
New Jersey	15,238	4.7	15,092	4.7
Michigan	11,168	3.5	10,752	3.4
Washington	9,799	3.0	9,724	3.1
Pennsylvania	8,880	2.7	8,709	2.7
Massachusetts	<u>7,252</u>	<u>2.2</u>	<u>6,871</u>	<u>2.2</u>
Subtotal	<u>203,672</u>	<u>62.9</u>	<u>199,607</u>	<u>62.8</u>
Other States & Territories	116,787	36.1	114,745	36.1
Nationally Diversified	<u>3,392</u>	<u>1.0</u>	<u>3,384</u>	<u>1.1</u>
Total	<u>\$ 323,851</u>	<u>100.0%</u>	<u>\$ 317,736</u>	<u>100.0%</u>

⁽¹⁾ Net of refunded issues and reinsurance; includes \$4.3 billion of reinsurance ceded by FGIC to third parties.

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

**Insured Portfolio - 50 Largest Credits
Gross Par Outstanding as of March 31, 2013
(dollars in millions)**

	Obligor Name	State	Internal Rating ⁽¹⁾	Gross Par Outstanding
1	California General Obligation	CA	a3	\$ 3,057
2	New Jersey Transportation Trust Fund Authority	NJ	bbb1	\$ 2,235
3	Massachusetts General Obligation	MA	a1	\$ 2,099
4	Wisconsin General Obligation	WI	aa2	\$ 1,810
5	City of Houston Combined Utility System Revenue Bonds	TX	a3	\$ 1,809
6	Long Island Power Authority Electric	NY	a3	\$ 1,777
7	Connecticut General Obligation	CT	a3	\$ 1,767
8	The Port Authority of New York and New Jersey	NY	a1	\$ 1,711
9	Puerto Rico Electric Power Authority	PR	bbb1	\$ 1,588
10	Puerto Rico General Obligation	PR	bbb3	\$ 1,529
11	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	aa2	\$ 1,525
12	Oregon School Boards Association General Obligation	OR	aa3	\$ 1,466
13	Chicago O'Hare General Airport	IL	a2	\$ 1,421
14	Chicago General Obligation	IL	a2	\$ 1,420
15	City of Chicago Board of Education	IL	bbb1	\$ 1,409
16	New York City General Obligation	NY	aa3	\$ 1,409
17	New York State Local Government Assistance Corporation	NY	a2	\$ 1,372
18	Army Hawaii Family Housing	HI	aa2	\$ 1,347
19	State of Washington General Obligation	WA	aa2	\$ 1,315
20	Los Angeles Unified School District General Obligation	CA	aa3	\$ 1,292
21	Miami-Dade County Airport	FL	a3	\$ 1,292
22	Clark County School District General Obligation	NV	aa3	\$ 1,243
23	City of Detroit Sewage Disposal System	MI	a2	\$ 1,208
24	Illinois Regional Transportation Authority	IL	aa2	\$ 1,179
25	New York State Thruway Authority Dedicated Highway & Bridge Trust	NY	aa3	\$ 1,132
26	California State Public Works Board Lease	CA	bbb3	\$ 1,104
27	Florida State General Obligation	FL	aa2	\$ 1,103
28	Metropolitan Washington Airports Authority	DC	aa3	\$ 1,101
29	Camp Pendleton Quantico Housing Privatization	CA	aa2	\$ 1,097
30	Michigan State Building Authority Lease	MI	a1	\$ 1,090
31	Atlanta City Water & Sewer	GA	a3	\$ 1,087
32	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	aa3	\$ 1,080
33	MTA Commuter & Transit Transportation Revenue	NY	a2	\$ 1,051
34	New York State Lease	NY	aa3	\$ 1,049
35	State of California Economic Recovery Bonds	CA	a3	\$ 1,038
36	New York City Water	NY	aa2	\$ 1,022
37	Illinois General Obligation	IL	a3	\$ 1,017
38	San Diego Family Housing Privatization Military	CA	aa1	\$ 1,016
39	South Carolina Public Service Authority Santee Cooper Public Power	SC	aa2	\$ 1,008
40	Detroit City Water System	MI	a2	\$ 1,006
41	Great River Energy Public Power	MN	a3	\$ 992
42	New York State Thruway Authority	NY	a2	\$ 953
43	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	\$ 938
44	Pennsylvania General Obligation	PA	aa2	\$ 928
45	Louisiana Gasoline & Fuels Tax	LA	aa3	\$ 923
46	Indiana Finance Authority Highway Lease	IN	aa2	\$ 916
47	New York State Dormitory State Personal Income Tax	NY	aa2	\$ 916
48	Arapahoe County E-470 Toll Road	CO	bbb2	\$ 914
49	Ohana Military Communities, LLC	HI	aa2	\$ 910
50	New York City Transitional Finance Authority Sales Tax	NY	aa2	\$ 903
		Total		\$ 64,574
				\$ 323,851
		Total Portfolio Exposure		\$ 323,851
		50 Largest Credits Gross Par Outstanding as % of Total Portfolio		19.9%

(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.). However, the Company assigns "d" ratings to insured transactions where the transaction is estimated to result in an ultimate loss (net of recoveries) to the Company. Those losses could represent any percentage, up to and including 100%, of the insured exposure.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Credit Quality Distribution ⁽¹⁾
as of March 31, 2013
(dollars in millions)

	Gross Par Outstanding	
	Amount	%
<u>Public Finance</u>		
AAA	\$ 17,838	5.5%
AA	155,963	48.2%
A	119,638	36.9%
BBB	27,657	8.5%
<BBB	2,755	0.9%
Total	\$ 323,851	100.0%

⁽¹⁾ Ratings as of the end of the period, as last provided by the rating agencies, which 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.

Top 10 Below Investment Grade (BIG) Credits ⁽¹⁾
(dollars in millions)

Obligor Name	Gross Par Outstanding
1 San Joaquin Hills Transportation Corridor Agency Toll Road	\$ 578
2 Harris County-Houston Sports Authority	391
3 Newark Housing Authority/Port Newark	179
4 Capital Projects Fin Auth FL Universities Student Hsg 2000F-1	124
5 AHERF Delaware Valley Obligated Group	118
6 Basketball Properties Ltd Miami Heat	116
7 Detroit City GO	101
8 Jefferson County GO	93
9 Contra Costa County PFA Multiple Proj Areas	79
10 Palm Desert Financing Authority (Housing Set-Aside Tax Allocation Bonds)	76
Total Top 10 BIG Gross Par Outstanding	\$ 1,855
Total BIG Gross Par Outstanding	\$ 2,755
Total National Gross Par Outstanding	\$ 323,851
Total Top 10 BIG Gross Par Outstanding as % of National Gross Par Outstanding	0.6%
Total BIG Gross Par Outstanding as % of National Gross Par Outstanding	0.9%
Total BIG Gross Par Outstanding as % of National Gross Par Outstanding by National ratings	0.6%

⁽¹⁾ Ratings as of the end of the period, as last provided by the rating agencies, which 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.

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