



**national  
public finance  
guarantee**



# Second Quarter 2015 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 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 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, 2015	December 31, 2014
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,801 and \$3,545)	\$ 3,747	\$ 3,553
Investments carried at fair value	134	143
Investments pledged as collateral, at fair value (amortized cost \$228 and \$459)	227	458
Short-term investments held as available-for-sale, at fair value (amortized cost \$286 and \$490)	287	490
Other investments (includes investments at fair value of \$9 and \$9)	12	12
Total investments	4,407	4,656
Cash and cash equivalents	152	70
Securities purchased under agreements to resell	224	443
Premiums receivable	205	213
Deferred acquisition costs	235	267
Assets held for sale	-	26
Other assets	46	75
<b>Total assets</b>	<b>\$ 5,269</b>	<b>\$ 5,750</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 1,110	\$ 1,269
Loss and loss adjustment expense reserves	41	45
Securities sold under agreements to repurchase	224	443
Current income taxes	10	9
Deferred income taxes, net	124	152
Payable for investments purchased	2	42
Other liabilities	23	29
<b>Total liabilities</b>	<b>1,534</b>	<b>1,989</b>
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,271	2,342
Retained earnings	1,484	1,390
Accumulated other comprehensive income (loss), net of tax of \$19 and \$2	(35)	5
Total shareholder's equity	3,735	3,752
Noncontrolling interest	-	9
<b>Total equity</b>	<b>3,735</b>	<b>3,761</b>
<b>Total liabilities and equity</b>	<b>\$ 5,269</b>	<b>\$ 5,750</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>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 33	\$ 39	\$ 68	\$ 82
Refunding premiums earned	40	24	90	46
Premiums earned	73	63	158	128
Net investment income	27	26	56	60
Fees, reimbursements and other	1	2	2	4
Change in fair value of insured derivatives:				
Realized gains (losses) and other settlements on insured derivatives	-	-	-	1
Net change in fair value of insured derivatives	-	-	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	-	15	3	18
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>95</u>	<u>106</u>	<u>209</u>	<u>211</u>
<b>Expenses:</b>				
Losses and loss adjustment	8	17	2	3
Amortization of deferred acquisition costs	16	14	34	28
Operating	14	16	30	29
Total expenses	<u>38</u>	<u>47</u>	<u>66</u>	<u>60</u>
Income (loss) before income taxes	57	59	143	151
Provision (benefit) for income taxes	19	20	49	51
<b>Net income (loss)</b>	<b><u>\$ 38</u></b>	<b><u>\$ 39</u></b>	<b><u>\$ 94</u></b>	<b><u>\$ 100</u></b>

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

(dollars in millions)

	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	-
Net investment losses related to 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	20	(1)	21	49	(1)	50
<b>Net income (loss) before minority interest</b>	<b>\$ 37</b>	<b>\$ (3)</b>	<b>\$ 40</b>	<b>\$ 94</b>	<b>\$ (2)</b>	<b>\$ 96</b>

	Three Months Ended June 30, 2014			Six Months Ended June 30, 2014		
	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	\$ 67	\$ -	\$ 67	\$ 132	\$ -	\$ 132
Net investment income	27	-	27	60	-	60
Fees and reimbursements	1	-	1	3	-	3
Net change in fair value of insured credit derivatives	-	-	-	1	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	15	11	4	19	11	8
Total revenues	110	11	99	215	11	204
<b>Expenses:</b>						
Losses and loss adjustment	17	-	17	3	-	3
Amortization of deferred acquisition costs	15	-	15	29	-	29
Operating	16	-	16	29	-	29
Total expenses	48	-	48	61	-	61
<b>Income (loss) before income taxes</b>	<b>62</b>	<b>11</b>	<b>51</b>	<b>154</b>	<b>11</b>	<b>143</b>
Provision (benefit) for income	21	4	17	52	4	48
<b>Net income (loss) before minority interest</b>	<b>\$ 41</b>	<b>\$ 7</b>	<b>\$ 34</b>	<b>\$ 102</b>	<b>\$ 7</b>	<b>\$ 95</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>2015</b>					
Scheduled Premiums Earned	\$ 35,192	\$ 32,500			\$ 67,692
Refunded Premiums Earned	50,016	40,237			90,253
Total	\$ 85,208	\$ 72,737			\$ 157,945
<b>2014</b>					
Scheduled Premiums Earned	\$ 42,544	\$ 39,670	\$ 38,415	\$ 38,407	\$ 159,036
Refunded Premiums Earned	22,461	27,918	35,961	43,346	129,686
Total	\$ 65,005	\$ 67,588	\$ 74,376	\$ 81,753	\$ 288,722

(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, 2014	Premium Payments Received	Premium from New Business Written	Changes in Expected Term of Policies	Accretion of Premium Receivable Discount	Other	Premium Receivable as of June 30, 2015
\$213,419	\$(7,470)	\$2,201	\$(6,263)	\$3,109	\$(116)	\$204,880

(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. 2015	194,567	316,781	1,113	-	-	-	-	5
3rd Qtr. 2015	187,042	306,169	1,084	26	3	2	31	4
4th Qtr. 2015	180,926	297,690	1,055	26	3	1	30	4
2016	161,290	268,315	950	94	11	6	111	13
2017	146,036	243,909	855	84	11	6	101	13
2018	135,333	225,169	768	76	11	5	92	13
2019	125,211	207,382	689	69	10	5	84	13
2020-2024	81,330	131,945	380	261	48	23	332	59
2025-2029	43,903	72,334	191	150	39	17	206	52
2030-2034	19,144	34,218	86	74	31	12	117	46
2035-2039	7,216	15,522	37	27	22	7	56	37
2040-2044	3,344	6,973	11	11	15	3	29	27
2045-2049	476	1,162	2	2	7	1	10	11
2050-2054	10	169	-	1	1	-	2	1
Total				\$901	\$212	\$88	\$1,201	\$298

(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, 2015**  
**(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	\$ 88	2	\$ 84	3.47 %
Long-Term Taxable	3,852	90	3,910	3.41 %
Short-Term	321	8	321	0.63 %
Total Fixed-Maturity	4,261	100	\$ 4,315	3.21 %
Cash and Cash Equivalents	153			
Total Fixed Income Including Cash and Cash Equivalents	4,414			
Investments Held as Trading	128			
Other	18			
Total	\$ 4,560			

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

State and Municipal Bonds	\$ 1,345	31
Corporate Obligations	1,209	27
MBS	1,069	24
US Treasury	399	9
ABS	219	5
Cash and Cash Equivalents	153	4
Foreign Governments	20	-
Total	\$ 4,414	100

**Effective Maturity Profile**

Cash and Cash Equivalents	\$ 153	4
≤ 1 yr	321	7
> 1 to 5 yrs	995	22
> 5 to 10 yrs	1,056	24
> 10 to 15 yrs	412	9
> 15 to 20 yrs	343	8
> 20 yrs	1,134	26
Total	\$ 4,414	100

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

**Rating<sup>(2)</sup>**

Aaa	\$ 1,676	42
Aa	1,322	34
A	661	17
Baa	118	3
BIG	145	4
NR	18	-
Total	\$ 3,940	100

*Average maturity: 7.81 years<sup>(3)</sup>*

*Duration: 5.15 years<sup>(3)</sup>*

(1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$224 million; the total market value of encumbered assets totals \$227 million.

(2) 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 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.

(3) Population represents total fixed income investments including cash and cash equivalents.



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

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

2014	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Gross Loss and LAE Reserves	\$ 86	\$ 61	\$ 70	62	\$ 86
Beginning Gross Insurance Loss Recoverable	(13)	(9)	(14)	(11)	(13)
Beginning Gross Reserves	73	52	56	51	73
Ceded Reserves	-	-	-	-	-
Net Reserves	73	52	56	51	73
Increase (Decrease) in Expected Payments	(25)	23	(24)	(4)	(30)
(Increase) Decrease in Expected Salvage	11	(6)	16	(1)	20
Net (Payments), Collections and Other <sup>(1)</sup>	(7)	(13)	3	(5)	(22)
Net Reserves	52	56	51	41	41
Ceded Reserves	-	-	-	-	-
Gross Reserves	52	56	51	41	41
Gross Loss and LAE Reserves	61	70	62	45	45
Gross Insurance Loss Recoverable	\$ (9)	\$ (14)	\$ (11)	\$ (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)

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 174	\$ 83			\$ 174
Premiums and Fees	1	3			4
Net Investment Income	26	35			61
Other	2	27			29
<b>Total Inflows</b>	<b>29</b>	<b>65</b>			<b>94</b>
Gross Loss & LAE Payments	5	4			9
Operating & Other Expenses	19	14			33
Tax Payments	-	56			56
<b>Total Outflows</b>	<b>24</b>	<b>74</b>			<b>98</b>
<b>Operating Cash Flow</b>	<b>5</b>	<b>(9)</b>			<b>(4)</b>
Investing Activities	(96)	61			(35)
Net Cash Flow	(91)	52			(39)
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<b>\$ 83</b>	<b>\$ 135</b>			<b>\$ 135</b>
Other Liquid Assets <sup>(3)</sup>	342	294			294
<b>Ending Liquidity Position</b>	<b>\$ 425</b>	<b>\$ 429</b>			<b>\$ 429</b>

2014	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 181	\$ 23	\$ 107	\$ 385	\$ 181
Premiums and Fees	3	2	9	3	17
Net Investment Income	33	35	27	35	130
Other	5	23	32	5	65
<b>Total Inflows</b>	<b>41</b>	<b>60</b>	<b>68</b>	<b>43</b>	<b>212</b>
Gross Loss & LAE Payments	11	14	3	18	46
Operating & Other Expenses	27	12	20	11	70
Tax Payments	-	51	-	29	80
<b>Total Outflows</b>	<b>38</b>	<b>77</b>	<b>23</b>	<b>58</b>	<b>196</b>
<b>Operating Cash Flow</b>	<b>3</b>	<b>(17)</b>	<b>45</b>	<b>(15)</b>	<b>16</b>
Financing Activities	-	-	-	(220)	(220)
Investing Activities	(161)	101	233	24	197
Net Cash Flow	(158)	84	278	(211)	(7)
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<b>\$ 23</b>	<b>\$ 107</b>	<b>\$ 385</b>	<b>\$ 174</b>	<b>\$ 174</b>
Other Liquid Assets <sup>(3)</sup>	592	466	162	338	338
<b>Ending Liquidity Position</b>	<b>\$ 615</b>	<b>\$ 573</b>	<b>\$ 547</b>	<b>\$ 512</b>	<b>\$ 512</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) May include 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 Sheet Summary**

	<b>6/30/2015</b>	<b>12/31/2014</b>
<b>Assets:</b>		
Cash and Investments	\$ 4,525	\$ 4,644
Asset Swap Facility with MBIA Inc.	224	443
Other Assets	50	55
<b>Total Assets</b>	<b>\$ 4,799</b>	<b>\$ 5,142</b>
<b>Liabilities:</b>		
Unearned Premiums	1,219	1,375
Loss and LAE Reserves <sup>(1)</sup>	(16)	(13)
Contingency Reserve	1,013	1,076
Asset Swap Facility with MBIA Inc.	224	443
Other Liabilities	31	71
<b>Total Liabilities</b>	<b>2,471</b>	<b>2,952</b>
<b>Total Policyholders' Surplus</b>	<b>2,328</b>	<b>2,190</b>
<b>Total Liabilities and Policyholders' Surplus</b>	<b>\$ 4,799</b>	<b>\$ 5,142</b>

**Claims-Paying Resources**

	<b>6/30/2015</b>	<b>12/31/2014</b>
<b>Balance Sheet</b>		
Policyholders' Surplus	\$ 2,328	\$ 2,190
Contingency Reserve	1,013	1,076
Statutory Capital	3,341	3,266
Unearned Premium Reserve	1,219	1,375
Present Value of Installment Premiums <sup>(1)</sup>	207	216
Premium Resources <sup>(2)</sup>	1,426	1,591
Net Loss and LAE Reserves <sup>(1)</sup>	(16)	(13)
Salvage Reserve	100	106
Gross Loss and LAE Reserves	84	93
<b>Total Claims-Paying Resources</b>	<b>\$ 4,851</b>	<b>\$ 4,950</b>
<b>Net Debt Service Outstanding</b>	<b>\$ 308,134</b>	<b>\$ 352,033</b>
<b>Capital Ratio</b>	<b>92:1</b>	<b>108:1</b>
<b>Claims-Paying Resources Ratio</b>	<b>71:1</b>	<b>80:1</b>

(1) As of June 30, 2015 and December 31, 2014, the discount rate was 2.90%.

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

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

**Par Value by Geography**

Outstanding as of June 30, 2015 <sup>(1) (2)</sup>

	Gross Amount	%	Net Amount	%
<b>United States</b>				
California	\$ 38,324	19.7	\$ 37,489	19.7
New York	17,590	9.0	17,040	9.0
Florida	13,116	6.8	13,014	6.8
Illinois	11,506	5.9	11,194	5.9
Texas	11,035	5.7	10,829	5.7
New Jersey	9,996	5.1	9,889	5.2
Michigan	6,803	3.5	6,448	3.4
Pennsylvania	4,905	2.5	4,774	2.5
Washington	4,792	2.5	4,766	2.5
Colorado	4,592	2.4	4,565	2.4
Subtotal	<u>122,659</u>	<u>63.1</u>	<u>120,008</u>	<u>63.1</u>
Other States & Territories	68,739	35.3	66,793	35.2
Nationally Diversified	3,169	1.6	3,161	1.7
Total	<u>\$ 194,567</u>	<u>100.0</u>	<u>\$ 189,962</u>	<u>100.0</u>

**Par Value by Bond Type**

Outstanding as of June 30, 2015 <sup>(1) (2)</sup>

	Gross Amount	%	Net Amount	%
<b>Bond Type</b>				
General Obligation	\$ 67,832	34.9	\$ 66,444	35.0
Municipal Utilities	34,294	17.6	33,660	17.7
Tax-Backed	27,575	14.2	26,917	14.2
Transportation	18,030	9.3	17,462	9.2
General Obligation - lease	16,834	8.7	15,966	8.4
Higher Education	11,466	5.9	11,257	5.9
Military Housing	7,540	3.9	7,530	4.0
Health Care	4,704	2.4	4,576	2.4
Investor Owned Utilities <sup>(3)</sup>	3,537	1.8	3,413	1.8
Municipal Housing	1,803	0.9	1,796	0.9
Other <sup>(4)</sup>	952	0.4	941	0.5
Total	<u>\$ 194,567</u>	<u>100.0</u>	<u>\$ 189,962</u>	<u>100.0</u>

(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**  
**Gross Par Outstanding as of June 30, 2015**  
(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	a3	2,018	2,989
2	Massachusetts General Obligation	MA	a1	1,453	1,908
3	Puerto Rico Electric Power Authority <sup>(3)</sup>	PR	d	1,422	2,099
4	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	a3	1,409	2,972
5	New Jersey Transportation Trust Fund Authority	NJ	a3	1,369	2,005
6	Long Island Power Authority Electric	NY	a3	1,360	1,816
7	Oregon School Boards Association General Obligation	OR	aa3	1,347	2,436
8	Chicago O'Hare General Airport	IL	a2	1,245	1,967
9	Army Hawaii Family Housing	HI	aa2	1,145	2,510
10	Puerto Rico General Obligation <sup>(3)</sup>	PR	bbb3	1,114	1,573
11	Illinois Regional Transportation Authority	IL	aa3	1,085	1,688
12	City of Chicago Board of Education	IL	bbb3	1,074	2,507
13	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,072	2,430
14	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,052	1,761
15	City of Detroit Sewage Disposal System	MI	bbb1	1,044	1,758
16	Chicago General Obligation	IL	bbb2	1,038	2,254
17	San Diego Family Housing Privatization Military	CA	aa1	998	2,325
18	Arapahoe County E-470 Toll Road	CO	bbb2	978	2,923
19	New York City General Obligation	NY	aa3	961	1,165
20	Los Angeles Unified School District General Obligation	CA	a1	957	1,343
21	Great River Energy Public Power	MN	a3	888	1,418
22	New York State Thruway Authority	NY	a2	880	1,285
23	Ohana Military Communities, LLC	HI	aa3	879	2,259
24	South Carolina Public Service Authority Santee Cooper Public Power	SC	aa2	878	1,030
25	Indiana Finance Authority Highway Lease	IN	aa2	864	1,211
26	Michigan State Building Authority Lease	MI	a1	846	1,759
27	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	838	1,419
28	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb2	832	1,213
29	MTA Commuter & Transit Transportation Revenue	NY	a2	810	1,422
30	Honolulu City & County Sewer	HI	a1	809	1,238
31	Puerto Rico Highway and Transportation Authority Transportation Revenue <sup>(3)</sup>	PR	bb3	792	1,499
32	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	791	1,099
33	Wayne County Airport Authority	MI	a2	720	1,132
34	Illinois Municipal Electric Agency Power Supply System	IL	a2	710	778
35	California State Public Works Board Lease	CA	bbb2	692	868
36	City of Houston Combined Utility System Revenue Bonds	TX	aa2	686	772
37	Puerto Rico Sales Tax Financing Corporation	PR	a3	684	4,170
38	New York State Lease	NY	a2	680	834
39	Denver City and County Airport System	CO	a1	680	959
40	San Francisco International Airport	CA	a2	673	870
41	Atlantic Marine Corps Communities LLC 0 Lejeune Cherry Point	NC	aa3	670	1,545
42	LCOR Alexandria L.L.C. Federal Lease	NC	bbb1	662	1,153
43	District of Columbia General Obligation	DC	aa2	650	1,185
44	Springfield City Public Utilities Board Combined Utility	MO	aa2	631	1,044
45	Metropolitan Washington Airports Authority	DC	aa3	629	1,129
46	New York State Thruway Authority Dedicated Highway & Bridge Trust	NY	aa3	621	664
47	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	619	1,007
48	JFK International Air Terminal Airport	NY	bbb3	619	835
49	The Port Authority of New York and New Jersey	NY	a1	617	985
50	North Texas Tollway Authority Dallas North Tollway	TX	a2	611	1,129
	<b>Total</b>			<b>\$ 46,102</b>	<b>\$ 80,340</b>
	<b>Total Portfolio Exposure</b>			<b>\$ 194,567</b>	<b>\$ 316,782</b>
	<b>50 Largest Credits as % of Total Portfolio</b>			<b>23.7%</b>	<b>25.4%</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.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted or is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.
- (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.
- (3) Includes \$68 million, \$128 million, and \$9 million of gross par and \$105 million, \$172 million and \$28 million of gross debt service paid on July 1, 2015 by PREPA, PR GO, and PR HTA (Revenue), respectively.

**U.S. Public Finance Insurance**  
**(National Public Finance Guarantee Corporation)**  
**as of June 30, 2015**  
(dollars in millions)

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

	<u>Gross Par Outstanding</u>	
	Amount	%
<b><u>Public Finance</u></b>		
AAA	\$ 8,638	4.5%
AA	93,090	47.8%
A	71,372	36.7%
BBB	15,211	7.8%
<BBB	6,256	3.2%
Total	<u>\$ 194,567</u>	<u>100.0%</u>

**Top 10 Below Investment Grade (BIG) Credits<sup>(1)</sup>**

<b>Obligor Name</b>	<b>Gross Par Outstanding<sup>(2)</sup></b>	<b>Gross Debt Service Outstanding</b>
1 Puerto Rico Electric Power Authority <sup>(3)</sup>	1,422	2,099
2 Puerto Rico General Obligation <sup>(3)</sup>	1,114	1,573
3 Puerto Rico Highway and Transportation Authority Transportation Revenue <sup>(3)</sup>	792	1,499
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Puerto Rico Government Development Bank General Obligation	267	273
6 Atlantic City Casino Reinvestment Development Authority Parking Fee	177	229
7 Fresno City Pension Obligation	146	227
8 Puerto Rico Highway & Transportation Authority Highway Bonds <sup>(3)</sup>	127	170
9 North Las Vegas Water & Sewer	123	196
10 Wayne Charter County General Obligation	119	175
<b>Total Top 10 BIG Outstanding</b>	<u>\$ 4,971</u>	<u>\$ 10,611</u>
Total BIG Outstanding	\$ 6,256	\$ 12,937
Total National Outstanding	\$ 194,567	\$ 316,782
<b>Total Top 10 BIG as % of National</b>	<b>2.6%</b>	<b>3.3%</b>
<b>Total BIG as % of National</b>	<b>3.2%</b>	<b>4.1%</b>
<b>Total BIG as % of National by National ratings</b>	<b>1.7%</b>	<b>1.7%</b>

(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.

(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.

(3) Includes \$68 million, \$128 million, \$9 million and \$40 million of gross par and \$105 million, \$172 million, \$28 million and \$44 million of gross debt service paid on July 1, 2015 by PREPA, PR GO, PR HTA (Revenue), and PR HTA (Highway), respectively.

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