



**national
public finance
guarantee**



Second Quarter 2017 Operating Supplement

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(1) This report is unaudited.

Safe Harbor Disclosure

This Operating Supplement of MBIA Inc., together with its consolidated subsidiaries, (collectively, “MBIA”, the “Company”, “we”, “us” or “our”) 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. MBIA cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. We undertake no obligation to publicly correct or update any forward-looking statement if the Company later becomes aware that such result is not likely to be achieved.

The following are some of the general 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:

- increased credit losses or impairments on public finance obligations that National Public Finance Guarantee Corporation (“National”) insures issued by state, local and territorial governments and finance authorities and other providers of public services, located in the U.S. or abroad, that are experiencing fiscal stress;
- 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 the capital markets and our exposure to significant fluctuations in liquidity and asset values in the global credit markets as a result of collateral posting requirements;
- our ability to fully implement our strategic plan;
- the possibility that MBIA Insurance Corporation will have inadequate liquidity or resources to timely pay claims as a result of higher than expected losses on certain structured finance transactions or as a result of a delay or failure in collecting expected recoveries, which could lead the New York State Department of Financial Services (“NYSDFS”) to put MBIA Insurance Corporation into a rehabilitation or liquidation proceeding under Article 74 of the New York Insurance Law and/or take such other actions as the NYSDFS may deem necessary to protect the interests of MBIA Insurance Corporation’s policyholders;
- deterioration in the economic environment and financial markets in the United States or abroad, real estate market performance, credit spreads, interest rates and foreign currency levels; and
- the effects of changes to governmental regulation, including insurance laws, securities laws, tax laws, legal precedents and accounting rules.

The above factors provide a summary of and are qualified in their entirety by the risk factors discussed under “Risk Factors” in Part II Other Information, Item 1A included in this Quarterly Report on Form 10-Q. In addition, refer to “Note 1: Business Developments and Risks and Uncertainties” in the Notes to Consolidated Financial Statements included in this Quarterly Report on Form 10-Q for a discussion of certain risks and uncertainties related to our financial statements.

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

	June 30, 2017	December 31, 2016
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,415 and \$3,855)	\$ 3,348	\$ 3,806
Investments carried at fair value	125	120
Investments pledged as collateral, at fair value (amortized cost \$131 and \$131)	129	131
Short-term investments held as available-for-sale, at fair value (amortized cost \$511 and \$104)	511	104
Other investments (includes investments at fair value of \$2 and \$3)	4	6
Total investments	4,117	4,167
Cash and cash equivalents	49	75
Securities purchased under agreements to resell	127	129
Premiums receivable	176	190
Current income taxes	86	-
Deferred acquisition costs	146	162
Insurance loss recoverable	179	162
Other assets	48	47
Total assets	\$ 4,928	\$ 4,932
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 659	\$ 745
Loss and loss adjustment expense reserves	253	96
Securities sold under agreements to repurchase	127	129
Current income taxes	-	6
Deferred income taxes, net	85	60
Payable for investments purchased	17	32
Other liabilities	33	30
Total liabilities	1,174	1,098
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,312	2,327
Retained earnings	1,472	1,523
Accumulated other comprehensive income (loss), net of tax of \$24 and \$17	(45)	(31)
Total equity	3,754	3,834
Total liabilities and equity	\$ 4,928	\$ 4,932

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>2017</u>	<u>2016</u>	<u>2017</u>	<u>2016</u>
Revenues:				
Premiums earned:				
Scheduled premiums earned	\$ 21	\$ 27	\$ 41	\$ 53
Refunding premiums earned	17	28	39	60
Premiums earned	38	55	80	113
Net investment income	30	29	60	60
Fees and reimbursements	-	-	1	1
Net gains (losses) on financial instruments at fair value and foreign exchange	14	25	18	34
Net investment losses related to other-than-temporary impairments	(11)	-	(13)	-
Other net realized gains (losses)	(1)	-	(1)	-
Total revenues	70	109	145	208
Expenses:				
Losses and loss adjustment	159	9	169	18
Amortization of deferred acquisition costs	10	12	18	24
Operating	22	15	40	30
Total expenses	191	36	227	72
Income (loss) before income taxes	(121)	73	(82)	136
Provision (benefit) for income taxes	(44)	24	(31)	46
Net income (loss)	<u>\$ (77)</u>	<u>\$ 49</u>	<u>\$ (51)</u>	<u>\$ 90</u>

National Public Finance Guarantee Corporation and Subsidiaries
(dollars in millions)

Amortization of Gross Par, Gross Debt Service, Net Unearned Premium and Cash Premiums Collected and Expected

	Gross Par Outstanding	Debt Service Outstanding	Unearned Premiums ⁽¹⁾	Expected Future Premium Earnings ⁽¹⁾⁽²⁾				Cash Premiums Collected and Expected ⁽³⁾
				Upfront	Installments	Accretion	Total	
2nd Qtr. 2017	94,049	166,326	661					5
3rd Qtr. 2017	89,370	159,768	644	14	3	1	18	4
4th Qtr. 2017	86,318	155,341	627	14	3	1	18	4
2018	79,125	142,965	565	52	10	5	67	13
2019	72,922	131,862	508	47	10	5	62	13
2020	66,966	121,161	456	42	10	5	57	12
2021	61,248	111,089	408	39	9	4	52	12
2022-2026	38,522	69,988	222	145	41	18	204	55
2027-2031	19,667	38,006	112	77	33	13	123	46
2032-2036	8,399	19,074	52	35	25	8	68	37
2037-2041	4,477	10,361	21	14	17	5	36	27
2042-2046	1,721	3,058	5	6	10	2	18	16
2047 and thereafter	144	546	-	2	3	-	5	5
Total				\$487	\$174	\$67	\$728	\$244

(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.

Statutory Balance Sheets Summary

	6/30/2017	12/31/2016
Assets:		
Cash and Investments	\$ 4,092	\$ 4,184
Asset Swap Facility with MBIA Inc.	127	129
Other Assets	130	42
Total Assets	\$ 4,349	\$ 4,355
Liabilities:		
Unearned Premiums	700	786
Loss and LAE Reserves ⁽¹⁾	142	(98)
Contingency Reserve	690	745
Asset Swap Facility with MBIA Inc.	127	129
Other Liabilities	46	62
Total Liabilities	1,705	1,624
Total Policyholders' Surplus	2,644	2,731
Total Liabilities and Policyholders' Surplus	\$ 4,349	\$ 4,355

Claims-Paying Resources

	6/30/2017	12/31/2016
Policyholders' Surplus	\$ 2,644	\$ 2,731
Contingency Reserve	690	745
Statutory Capital	3,334	3,476
Unearned Premiums	700	786
Present Value of Installment Premiums ⁽¹⁾	174	187
Premium Resources ⁽²⁾	874	973
Net Loss and LAE Reserves ⁽¹⁾	142	(98)
Salvage Reserve	257	256
Gross Loss and LAE Reserves	399	158
Total Claims-Paying Resources	\$ 4,607	\$ 4,607
Net Debt Service Outstanding	\$ 161,082	\$ 185,099
Capital Ratio	48:1	53:1
Claims-Paying Resources Ratio	37:1	43:1

(1) As of June 30, 2017 and December 31, 2016, the discount rate was 3.18%.

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

U.S. Public Finance Insurance
(primarily National Public Finance Guarantee Corporation)
Investment Portfolio Including Cash and Cash Equivalents
as of June 30, 2017
(dollars in millions)

Investments ⁽¹⁾	Market Value	% of Market Value	Amortized Cost	% Book Yield
Fixed-Maturity Securities:				
Long-Term Tax-Exempt ⁽²⁾	\$ 300	8	\$ 323	5.87
Long-Term Taxable	3,177	80	3,224	3.37
Short-Term	511	12	511	0.43
Total Fixed-Maturity	3,988	100	\$ 4,058	3.20
Cash and Cash Equivalents	50			
Total Fixed Income Including Cash and Cash Equivalents	4,038			
Investments Carried at Fair Value	126			
Other	3			
Total	\$ 4,167			

Fixed Income Portfolio Including Cash and Cash Equivalents

Corporate Obligations	\$ 1,303	32
State and Municipal Bonds	918	23
MBS	769	19
US Treasury	510	13
Money Markets	254	6
ABS	231	6
Cash and Cash Equivalents	50	1
Foreign Governments	3	-
Total	\$ 4,038	100

Effective Maturity Profile

Cash and Cash Equivalents	\$ 50	1
≤ 1 yr	676	17
> 1 to 5 yrs	1,050	26
> 5 to 10 yrs	618	15
> 10 to 15 yrs	238	6
> 15 to 20 yrs	248	6
> 20 yrs	1,158	29
Total	\$ 4,038	100

Credit Quality Distribution of Long-Term Fixed-Maturity Securities

Rating ⁽³⁾

Aaa	\$ 1,474	42
Aa	684	20
A	874	25
Baa	172	5
BIG	150	4
NR	123	4
Total	\$ 3,477	100

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 12.29 years
Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 5.89 years

- (1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$127 million; the total market value of encumbered assets totals \$129 million.
- (2) Includes \$136 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National), \$85 million of Puerto Rico Electric Power Authority bonds (uninsured) and \$210 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)

2017	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Gross Loss and LAE Reserves	\$ 96	\$ 105			\$ 96
Beginning Gross Insurance Loss Recoverable	(162)	(185)			(162)
Beginning Gross Reserves	(66)	(80)			(66)
Ceded Reserves	-	-			-
Net Reserves	(66)	(80)			(66)
Increase (Decrease) in Expected Payments	35	151			186
(Increase) Decrease in Expected Salvage	(24)	7			(17)
Net (Payments), Collections and Other ⁽¹⁾	(25)	(5)			(30)
Net Reserves	(80)	73			73
Ceded Reserves	-	1			1
Gross Reserves	(80)	74			74
Gross Loss and LAE Reserves	105	253			253
Gross Insurance Loss Recoverable	\$ (185)	\$ (179)			\$ (179)

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 ⁽¹⁾	(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)

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

National Public Finance Guarantee Corporation

Liquidity Position ⁽¹⁾

(dollars in millions)

	1st	2nd	3rd	4th	Year-to-date
2017	Qtr.	Qtr.	Qtr.	Qtr.	
Beginning Cash & Cash Equivalents⁽²⁾	\$ 115	\$ 41			\$ 115
Premiums and Fees	2	2			4
Net Investment Income	23	27			50
Total Inflows	25	29			54
Gross Loss & LAE Payments	26	3			29
Operating & Other Expenses	21	16			37
Tax Payments	-	28			28
Total Outflows	47	47			94
Operating Cash Flow	(22)	(18)			(40)
Investing Activities	(52)	7			(45)
Net Cash Flow	(74)	(11)			(85)
Ending Cash & Cash Equivalents⁽²⁾	\$ 41	\$ 30			\$ 30
Other Liquid Assets ⁽³⁾	255	659			659
Ending Liquidity Position	\$ 296	\$ 689			\$ 689

	1st	2nd	3rd	4th	Full Year
2016	Qtr.	Qtr.	Qtr.	Qtr.	
Beginning Cash & Cash Equivalents⁽²⁾	\$ 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	27	36	25	33	121
Gross Loss & LAE Payments	5	2	176	-	183
Operating & Other Expenses	18	14	13	15	60
Tax Payments	-	20	28	31	79
Total Outflows	23	36	217	46	322
Operating Cash Flow	4	-	(192)	(13)	(201)
Financing Activities	-	-	-	(118)	(118)
Investing Activities	(9)	261	(31)	181	402
Net Cash Flow	(5)	261	(223)	50	83
Ending Cash & Cash Equivalents⁽²⁾	\$ 27	\$ 288	\$ 65	\$ 115	\$ 115
Other Liquid Assets ⁽³⁾	317	153	245	251	251
Ending Liquidity Position	\$ 344	\$ 441	\$ 310	\$ 366	\$ 366

(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.

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

By Geography

Outstanding as of June 30, 2017

	Par Outstanding ⁽¹⁾				Debt Service Outstanding ⁽¹⁾			
	Gross Amount	%	Net Amount ⁽²⁾	%	Gross Amount	%	Net Amount ⁽²⁾	%
United States								
California	\$ 20,072	21.3	\$ 19,592	21.4	\$ 38,210	23.0	\$ 37,198	23.1
New York	8,890	9.5	8,461	9.3	13,091	7.9	12,408	7.7
New Jersey	6,756	7.2	6,663	7.3	10,527	6.3	10,370	6.4
Illinois	5,611	6.0	5,340	5.8	14,364	8.6	13,720	8.5
Florida	5,309	5.6	5,238	5.7	7,029	4.2	6,936	4.3
Texas	4,692	5.0	4,532	5.0	7,807	4.7	7,184	4.4
Puerto Rico	3,544	3.8	3,471	3.8	8,438	5.1	8,332	5.2
Massachusetts	2,928	3.1	2,618	2.9	4,314	2.6	3,793	2.4
Georgia	2,389	2.5	2,259	2.5	3,217	1.9	2,994	1.9
Hawaii	2,366	2.5	2,360	2.6	5,092	3.1	5,085	3.2
Subtotal	62,557	66.5	60,534	66.3	112,089	67.4	108,020	67.1
Other States & Territories	28,418	30.2	27,739	30.4	47,492	28.5	46,330	28.7
Nationally Diversified	3,074	3.3	3,068	3.3	6,745	4.1	6,732	4.2
Total	\$ 94,049	100.0	\$ 91,341	100.0	\$ 166,326	100.0	\$ 161,082	100.0

By Bond Type

Outstanding as of June 30, 2017

	Par Outstanding ⁽¹⁾				Debt Service Outstanding ⁽¹⁾			
	Gross Amount	%	Net Amount ⁽²⁾	%	Gross Amount	%	Net Amount ⁽²⁾	%
Bond Type								
General Obligation ⁽³⁾	\$ 31,016	33.0	\$ 30,190	33.0	\$ 54,290	32.7	\$ 52,798	32.8
Municipal Utilities	15,530	16.5	15,208	16.7	23,173	13.9	22,579	14.0
Tax-Backed	15,339	16.3	14,867	16.3	30,643	18.4	29,512	18.3
Transportation	9,120	9.7	8,733	9.6	18,596	11.2	17,622	10.9
General Obligation - lease	7,029	7.5	6,588	7.2	9,545	5.7	8,886	5.5
Military Housing	7,367	7.8	7,358	8.1	16,568	10.0	16,550	10.3
Higher Education	2,896	3.1	2,817	3.1	4,321	2.6	4,215	2.6
Health Care	2,428	2.6	2,327	2.5	3,719	2.2	3,552	2.2
Investor Owned Utilities ⁽⁴⁾	2,202	2.3	2,141	2.3	3,514	2.1	3,427	2.1
Municipal Housing	298	0.3	297	0.3	451	0.3	449	0.3
Other ⁽⁵⁾	824	0.9	815	0.9	1,506	0.9	1,492	1.0
Total	\$ 94,049	100.0	\$ 91,341	100.0	\$ 166,326	100.0	\$ 161,082	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 June 30, 2017
(dollars in millions)

	Obligor Name	State	Internal Rating ⁽¹⁾	Gross Par Outstanding ⁽²⁾	Gross Debt Service Outstanding ⁽²⁾
1	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	a3	\$ 1,284	\$ 2,261
2	Oregon School Boards Association General Obligation	OR	aa3	1,266	2,136
3	Puerto Rico Electric Power Authority	PR	d	1,249	1,789
4	Massachusetts General Obligation	MA	a1	1,210	1,544
5	New Jersey Transportation Trust Fund Authority	NJ	a3	1,156	1,666
6	Army Hawaii Family Housing	HI	aa2	1,124	2,373
7	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,050	2,285
8	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,021	1,630
9	Illinois Regional Transportation Authority	IL	aa3	983	1,465
10	San Diego Family Housing Privatization Military	CA	aa1	979	2,187
11	Chicago General Obligation	IL	bbb2	901	1,949
12	Puerto Rico General Obligation	PR	d	853	1,179
13	City of Chicago Board of Education	IL	bbb3	853	2,163
14	Ohana Military Communities, LLC	HI	aa3	847	2,136
15	New York State Thruway Authority	NY	a2	800	1,128
16	California General Obligation	CA	a1	789	1,012
17	Great River Energy Public Power	MN	a3	788	1,214
18	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	752	1,245
19	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb2	739	1,048
20	Puerto Rico Sales Tax Financing Corporation	PR	d	684	4,170
21	Atlantic Marine Corps Communities LLC 0 Lejeune Cherry Point	NC	aa3	657	1,458
22	Long Island Power Authority Electric	NY	a3	654	782
23	Great Lakes Water Authority - Sewer System	MI	bbb1	631	941
24	Los Angeles Unified School District General Obligation	CA	a1	628	889
25	LCOR Alexandria L.L.C. Federal Lease	VA	bbb1	628	1,030
26	New Jersey Turnpike Authority	NJ	a2	595	738
27	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	592	4,738
28	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	575	898
29	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	563	1,028
30	Navy Mid-Atlantic Family Housing LLC	VA	aa2	551	1,181
31	JFK International Air Terminal Airport	NY	bbb3	533	682
32	Arapahoe County E-470 Toll Road	CO	bbb1	521	2,222
33	New York State Power Authority	NY	aa2	501	878
34	Alameda Corridor Transportation Authority Port Revenue Bonds	CA	a3	500	1,470
35	City of Houston Combined Utility System Revenue Bonds	TX	a2	477	497
36	New York City General Obligation	NY	aa3	465	570
37	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	454	707
38	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	416	3,287
39	Oglethorpe Power Corporation	GA	a3	410	747
40	Navy Southeast	FL	bbb3	407	1,039
41	District of Columbia Sales Tax-Stadium Revenue	DC	bbb1	397	672
42	Houston City Airport System	TX	a1	392	533
43	Great Lakes Water Authority - Water System	MI	a3	390	530
44	Massachusetts Water Resources Authority Water & Sewer	MA	aa3	381	558
45	Los Angeles Community College District General Obligation	CA	aa2	376	605
46	Santa Clara County Pension Obligation	CA	aa3	362	769
47	Oakland Port and Airport Revenue	CA	a1	360	450
48	New Jersey Economic Development Authority Lease	NJ	a3	359	503
49	Sacramento County Water Financing Authority Water	CA	a2	352	550
50	Denver City and County Airport System	CO	a1	352	496
	Total			\$ 33,807	\$ 68,028
	Total Portfolio Exposure			\$ 94,049	\$ 166,326
	50 Largest Credits as % of Total Portfolio			35.9%	40.9%

(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 symbolologies 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 June 30, 2017
(dollars in millions)

Credit Quality Distribution⁽¹⁾

	<u>Gross Par Outstanding ⁽²⁾</u>		<u>Gross Debt Service Outstanding ⁽²⁾</u>	
	Amount	%	Amount	%
<u>Public Finance</u>				
AAA	\$ 4,440	4.7%	\$ 7,181	4.3%
AA	40,014	42.6%	65,164	39.2%
A	30,666	32.6%	51,532	31.0%
BBB	12,684	13.5%	24,864	14.9%
<BBB	6,245	6.6%	17,585	10.6%
Total	<u>\$ 94,049</u>	<u>100.0%</u>	<u>\$ 166,326</u>	<u>100.0%</u>

Top 10 Below Investment Grade (BIG) Credits by Gross Par Outstanding⁽¹⁾

<u>Obligor Name</u>	<u>Gross Par Outstanding ⁽²⁾</u>	<u>Gross Debt Service Outstanding ⁽²⁾</u>
1 Puerto Rico Electric Power Authority	\$ 1,249	\$ 1,789
2 Puerto Rico General Obligation	853	1,179
3 City of Chicago Board of Education	853	2,163
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Illinois Metropolitan Pier & Exposition Authority	592	4,738
6 Puerto Rico Highway and Transportation Authority Transportation Revenue	563	1,028
7 Virgin Islands Public Finance Authority Gross Receipts	197	272
8 Atlantic City Casino Reinvestment Development Authority Parking Fee	139	173
9 Frontier Communications Corporation	139	232
10 North Las Vegas Water & Sewer	116	178
Total Top 10 BIG Outstanding	<u>\$ 5,385</u>	<u>\$ 15,922</u>
Total BIG Outstanding	\$ 6,245	\$ 17,585
Total National Outstanding	\$ 94,049	\$ 166,326
Top 10 BIG as % of National	5.7%	9.6%
Total BIG as % of National	6.6%	10.6%
Total BIG as % of National by National ratings	4.9%	6.2%

(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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