



**national  
public finance  
guarantee**



# Third Quarter 2016 Operating Supplement

## **Table of Contents**

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

(1) This report is unaudited.

## Safe Harbor Disclosure

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

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

	September 30, 2016	December 31, 2015
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,892 and \$3,824)	\$ 3,964	\$ 3,767
Investments carried at fair value	49	133
Investments pledged as collateral, at fair value (amortized cost \$139 and \$204)	139	203
Short-term investments held as available-for-sale, at fair value (amortized cost \$255 and \$303)	256	302
Other investments (includes investments at fair value of \$4 and \$9)	7	12
Total investments	4,415	4,417
Cash and cash equivalents	58	51
Securities purchased under agreements to resell	136	199
Premiums receivable	190	198
Deferred acquisition costs	173	206
Insurance loss recoverable	163	4
Other assets	64	47
<b>Total assets</b>	<b>\$ 5,199</b>	<b>\$ 5,122</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 800	\$ 967
Loss and loss adjustment expense reserves	72	45
Securities sold under agreements to repurchase	136	199
Deferred income taxes, net	125	100
Other liabilities	75	81
<b>Total liabilities</b>	<b>1,208</b>	<b>1,392</b>
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,327	2,286
Retained earnings	1,601	1,466
Accumulated other comprehensive income (loss), net of tax of \$26 and \$20	48	(37)
<b>Total equity</b>	<b>3,991</b>	<b>3,730</b>
<b>Total liabilities and equity</b>	<b>\$ 5,199</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>September 30,</u>		<u>Nine Months Ended</u> <u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 23	\$ 28	\$ 76	\$ 96
Refunding premiums earned	36	39	96	129
Premiums earned	59	67	172	225
Net investment income	30	30	90	86
Fees and reimbursements	1	-	2	2
Net gains (losses) on financial instruments at fair value and foreign exchange	32	1	66	4
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)	-	(3)	-	-
Net investment losses related to other-than-temporary impairments	-	(3)	-	(9)
Other net realized gains (losses)	-	-	-	(4)
Total revenues	<u>122</u>	<u>95</u>	<u>330</u>	<u>304</u>
<b>Expenses:</b>				
Losses and loss adjustment	28	(7)	46	(5)
Amortization of deferred acquisition costs	12	15	36	49
Operating	15	17	45	47
Total expenses	<u>55</u>	<u>25</u>	<u>127</u>	<u>91</u>
Income (loss) before income taxes	67	70	203	213
Provision (benefit) for income taxes	22	24	68	73
<b>Net income (loss)</b>	<b><u>\$ 45</u></b>	<b><u>\$ 46</u></b>	<b><u>\$ 135</u></b>	<b><u>\$ 140</u></b>

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

	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
<b>Revenues:</b>						
Net premiums earned	\$ 60	\$ -	\$ 60	\$ 174	\$ -	\$ 174
Net investment income	29	-	29	90	-	90
Fees and reimbursements	1	-	1	2	-	2
Net gains (losses) on financial instruments at fair value and foreign exchange	31	31	-	65	61	4
Total revenues	121	31	90	331	61	270
<b>Expenses:</b>						
Losses and loss adjustment	28	-	28	46	-	46
Amortization of deferred acquisition costs	12	-	12	36	-	36
Operating	15	-	15	45	-	45
Total expenses	55	-	55	127	-	127
<b>Income (loss) before income taxes</b>	<b>66</b>	<b>31</b>	<b>35</b>	<b>204</b>	<b>61</b>	<b>143</b>
Provision (benefit) for income taxes	22	11	11	69	21	48
<b>Net income (loss)</b>	<b>\$ 44</b>	<b>\$ 20</b>	<b>\$ 24</b>	<b>\$ 135</b>	<b>\$ 40</b>	<b>\$ 95</b>

	Three Months Ended September 30, 2015			Nine Months Ended September 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	\$ 68	\$ -	\$ 68	\$ 226	\$ -	\$ 226
Net investment income	29	-	29	86	-	86
Fees and reimbursements	1	-	1	2	-	2
Net gains (losses) on financial instruments at fair value and foreign exchange	1	-	1	4	3	1
Net investment losses related to other-than-temporary impairments	(3)	(3)	-	(9)	(9)	-
Other net realized gains (losses)	-	-	-	(4)	-	(4)
Total revenues	96	(3)	99	305	(6)	311
<b>Expenses:</b>						
Losses and loss adjustment	(7)	-	(7)	(5)	-	(5)
Amortization of deferred acquisition costs	15	-	15	49	-	49
Operating	17	-	17	47	-	47
Total expenses	25	-	25	91	-	91
<b>Income (loss) before income taxes</b>	<b>71</b>	<b>(3)</b>	<b>74</b>	<b>214</b>	<b>(6)</b>	<b>220</b>
Provision (benefit) for income taxes	25	(1)	26	74	(2)	76
<b>Net income (loss)</b>	<b>\$ 46</b>	<b>\$ (2)</b>	<b>\$ 48</b>	<b>\$ 140</b>	<b>\$ (4)</b>	<b>\$ 144</b>

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

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

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
<b>2016</b>					
Scheduled Premiums Earned	\$ 26,100	\$ 27,002	\$ 23,584		76,686
Refunded Premiums Earned	32,085	29,076	35,428		96,589
Total	\$ 58,185	\$ 56,078	\$ 59,012		\$ 173,275
<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 September 30, 2016
\$197,699	\$(13,792)	\$4,652	\$(2,419)	\$4,334	\$(277)	\$190,197

(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	
3rd Qtr. 2016	124,993	212,921	802					6
4th Qtr. 2016	120,377	206,481	781	18	3	1	22	4
2017	106,438	185,398	703	67	11	6	84	13
2018	98,305	171,134	634	59	10	5	74	13
2019	90,820	157,836	570	54	10	5	69	12
2020	83,623	145,049	511	49	10	5	64	12
2021-2025	53,359	91,874	283	184	44	21	249	55
2026-2030	28,121	50,448	145	102	36	16	154	50
2031-2035	12,156	24,699	68	48	29	11	88	43
2036-2040	5,693	12,784	29	18	21	7	46	35
2041-2045	2,730	4,965	7	8	14	3	25	25
2046-2050	245	785	1	2	4	-	6	8
2051-2055	5	85	-	1	-	-	1	-
2056 and thereafter	-	-	-	-	-	-	-	-
Total				\$610	\$192	\$80	\$882	\$270

(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 September 30, 2016**  
(dollars in millions)

<b>Investments <sup>(1)</sup></b>	<b>Market Value</b>	<b>% of Market Value</b>	<b>Amortized Cost</b>	<b>% Book Yield</b>
Fixed-Maturity Securities:				
Long-Term Tax-Exempt <sup>(2)</sup>	\$ 363	8	\$ 326	5.87
Long-Term Taxable	3,691	85	3,655	3.22
Short-Term <sup>(3)</sup>	306	7	305	0.77
Total Fixed-Maturity	4,360	100	4,286	3.25
Cash and Cash Equivalents	58			
Total Fixed Income Including Cash and Cash Equivalents	4,418			
Investments Carried at Fair Value	49			
Other	6			
Total	\$ 4,473			

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

Corporate Obligations	\$ 1,345	30
State and Municipal Bonds	1,309	30
MBS	950	22
US Treasury	395	9
ABS	259	6
Money Markets	98	2
Cash and Cash Equivalents	58	1
Foreign Governments	4	-
Total	\$ 4,418	100

**Effective Maturity Profile**

Cash and Cash Equivalents	\$ 58	1
≤ 1 yr	306	7
> 1 to 5 yrs	1,307	30
> 5 to 10 yrs	936	21
> 10 to 15 yrs	251	6
> 15 to 20 yrs	254	6
> 20 yrs	1,306	29
Total	\$ 4,418	100

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

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

Aaa	\$ 1,731	43
Aa	1,066	26
A	784	19
Baa	149	4
BIG	152	4
NR	172	4
Total	\$ 4,054	100

*Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 10.87 years*  
*Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 5.76 years*

- (1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$136 million; the total market value of encumbered assets totals \$139 million.
- (2) Includes \$141 million of Puerto Rico Electric Power Authority bonds (uninsured) and \$143 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National) at fair value.
- (3) Includes \$212 thousand of Puerto Rico Municipal Finance Agency bonds (insured by Assured Guaranty Municipal Corp.) at fair value.
- (4) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.



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

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Gross Loss and LAE Reserves	\$ 45	\$ 52	\$ 58		\$ 45
Beginning Gross Insurance Loss Recoverable	(4)	(3)	(2)		(4)
Beginning Gross Reserves	41	49	56		41
Ceded Reserves	-	-	-		-
Net Reserves	41	49	56		41
Increase (Decrease) in Expected Payments	19	9	188		216
(Increase) Decrease in Expected Salvage	(10)	-	(160)		(170)
Net (Payments), Collections and Other <sup>(1)</sup>	(1)	(2)	(175)		(178)
Net Reserves	49	56	(91)		(91)
Ceded Reserves	-	-	-		-
Gross Reserves	49	56	(91)		(91)
Gross Loss and LAE Reserves	52	58	72		72
Gross Insurance Loss Recoverable	\$ (3)	\$ (2)	\$ (163)		\$ (163)

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

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

## National Public Finance Guarantee Corporation

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

(dollars in millions)

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 32	\$ 27	\$ 288		\$ 32
Premiums and Fees	5	2	2		9
Net Investment Income	21	32	21		74
Other	1	2	2		5
<b>Total Inflows</b>	<u>27</u>	<u>36</u>	<u>25</u>		<u>88</u>
Gross Loss & LAE Payments	5	2	176		183
Operating & Other Expenses	18	14	13		45
Tax Payments	-	20	28		48
<b>Total Outflows</b>	<u>23</u>	<u>36</u>	<u>217</u>		<u>276</u>
<b>Operating Cash Flow</b>	4	-	(192)		(188)
Investing Activities	(9)	261	(31)		221
<b>Net Cash Flow</b>	<u>(5)</u>	<u>261</u>	<u>(223)</u>		<u>33</u>
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	<u>\$ 27</u>	<u>\$ 288</u>	<u>\$ 65</u>		<u>\$ 65</u>
Other Liquid Assets <sup>(3)</sup>	317	153	245		245
<b>Ending Liquidity Position</b>	<u>\$ 344</u>	<u>\$ 441</u>	<u>\$ 310</u>		<u>\$ 310</u>

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
<b>Total Inflows</b>	<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
<b>Total Outflows</b>	<u>24</u>	<u>74</u>	<u>43</u>	<u>40</u>	<u>181</u>
<b>Operating Cash Flow</b>	5	(9)	(14)	1	(17)
Financing Activities	-	-	-	(14)	(14)
Investing Activities	(96)	61	(81)	5	(111)
<b>Net Cash Flow</b>	<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>	<u>\$ 83</u>	<u>\$ 135</u>	<u>\$ 40</u>	<u>\$ 32</u>	<u>\$ 32</u>
Other Liquid Assets <sup>(3)</sup>	342	294	347	304	304
<b>Ending Liquidity Position</b>	<u>\$ 425</u>	<u>\$ 429</u>	<u>\$ 387</u>	<u>\$ 336</u>	<u>\$ 336</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) Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

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

**Statutory Balance Sheets Summary**

	<b>9/30/2016</b>	<b>12/31/2015</b>
<b>Assets:</b>		
Cash and Investments	\$ 4,309	\$ 4,437
Asset Swap Facility with MBIA Inc.	136	199
Other Assets	45	41
<b>Total Assets</b>	<b>\$ 4,490</b>	<b>\$ 4,677</b>
<b>Liabilities:</b>		
Unearned Premiums	852	1,042
Loss and LAE Reserves <sup>(1)</sup>	(112)	(30)
Contingency Reserve	803	910
Asset Swap Facility with MBIA Inc.	136	199
Other Liabilities	72	78
<b>Total Liabilities</b>	<b>1,751</b>	<b>2,199</b>
<b>Total Policyholders' Surplus</b>	<b>2,739</b>	<b>2,478</b>
<b>Total Liabilities and Policyholders' Surplus</b>	<b>\$ 4,490</b>	<b>\$ 4,677</b>

**Claims-Paying Resources**

	<b>9/30/2016</b>	<b>12/31/2015</b>
<b>Balance Sheet</b>		
Policyholders' Surplus	\$ 2,739	\$ 2,478
Contingency Reserve	803	910
Statutory Capital	3,542	3,388
Unearned Premium Reserve	852	1,042
Present Value of Installment Premiums <sup>(1)</sup>	189	197
Premium Resources <sup>(2)</sup>	1,041	1,239
Net Loss and LAE Reserves <sup>(1)</sup>	(112)	(30)
Salvage Reserve	260	102
Gross Loss and LAE Reserves	148	72
<b>Total Claims-Paying Resources</b>	<b>\$ 4,731</b>	<b>\$ 4,699</b>
<b>Net Debt Service Outstanding</b>	<b>\$ 205,779</b>	<b>\$ 259,436</b>
<b>Capital Ratio</b>	<b>58:1</b>	<b>77:1</b>
<b>Claims-Paying Resources Ratio</b>	<b>47:1</b>	<b>61:1</b>

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

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

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

**By Geography**

Outstanding as of September 30, 2016

	Par Outstanding <sup>(1) (2)</sup>				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
<b>United States</b>								
California	\$ 24,797	19.8	\$ 24,083	19.9	\$ 45,575	21.4	\$ 44,174	21.5
New York	12,108	9.7	11,607	9.6	18,213	8.5	17,410	8.4
Florida	7,290	5.8	7,210	6.0	10,130	4.8	10,025	4.9
New Jersey	7,238	5.8	7,144	5.9	11,431	5.4	11,263	5.5
Illinois	7,097	5.7	6,818	5.6	16,739	7.9	16,073	7.8
Texas	6,364	5.1	6,194	5.1	10,251	4.8	9,598	4.6
Michigan	3,894	3.1	3,611	3.0	5,611	2.6	5,154	2.5
Puerto Rico	3,607	2.9	3,535	2.9	8,591	4.0	8,482	4.1
Colorado	3,443	2.8	3,417	2.8	6,285	2.9	6,158	3.0
Massachusetts	3,409	2.7	3,090	2.5	5,020	2.4	4,477	2.2
Subtotal	<u>79,247</u>	<u>63.4</u>	<u>76,709</u>	<u>63.3</u>	<u>137,846</u>	<u>64.7</u>	<u>132,814</u>	<u>64.5</u>
Other States & Territories	42,625	34.1	41,365	34.1	68,131	32.0	66,035	32.1
Nationally Diversified	3,121	2.5	3,114	2.6	6,944	3.3	6,930	3.4
Total	<u>\$ 124,993</u>	<u>100.0</u>	<u>\$ 121,188</u>	<u>100.0</u>	<u>\$ 212,921</u>	<u>100.0</u>	<u>\$ 205,779</u>	<u>100.0</u>

**By Bond Type**

Outstanding as of September 30, 2016

	Par Outstanding <sup>(1) (2)</sup>				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
<b>Bond Type</b>								
General Obligation	\$ 43,290	34.6	\$ 42,085	34.7	\$ 71,416	33.5	\$ 69,261	33.7
Municipal Utilities	20,711	16.6	20,244	16.7	31,220	14.7	30,345	14.7
Tax-Backed	17,915	14.3	17,426	14.4	34,726	16.3	33,553	16.3
Transportation	12,187	9.8	11,678	9.6	23,503	11.0	22,319	10.9
General Obligation - lease	10,769	8.6	10,023	8.3	15,120	7.1	14,000	6.8
Military Housing	7,442	6.0	7,432	6.1	16,983	8.0	16,965	8.2
Higher Education	5,323	4.3	5,128	4.2	8,075	3.8	7,747	3.8
Health Care	3,451	2.8	3,346	2.8	5,573	2.6	5,397	2.6
Investor Owned Utilities <sup>(3)</sup>	2,515	2.0	2,451	2.0	4,020	1.9	3,928	1.9
Municipal Housing	533	0.4	529	0.5	847	0.4	842	0.4
Other <sup>(4)</sup>	857	0.6	846	0.7	1,438	0.7	1,422	0.7
Total	<u>\$ 124,993</u>	<u>100.0</u>	<u>\$ 121,188</u>	<u>100.0</u>	<u>\$ 212,921</u>	<u>100.0</u>	<u>\$ 205,779</u>	<u>100.0</u>

(1) Net of refunded issues and reinsurance.

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

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

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

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

	Obligor Name	State	Internal Rating <sup>(1)</sup>	Gross Par Outstanding <sup>(2)</sup>	Gross Debt Service Outstanding
1	California General Obligation	CA	a1	\$ 1,628	\$ 2,163
2	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	a3	1,348	2,583
3	Massachusetts General Obligation	MA	a1	1,312	1,695
4	Oregon School Boards Association General Obligation	OR	aa3	1,307	2,290
5	New Jersey Transportation Trust Fund Authority	NJ	a3	1,265	1,835
6	Puerto Rico Electric Power Authority	PR	d	1,249	1,820
7	Long Island Power Authority Electric	NY	a3	1,190	1,555
8	Army Hawaii Family Housing	HI	aa2	1,135	2,441
9	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,061	2,358
10	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,021	1,654
11	Illinois Regional Transportation Authority	IL	aa3	1,008	1,526
12	Chicago General Obligation	IL	bbb2	989	2,086
13	San Diego Family Housing Privatization Military	CA	aa1	984	2,222
14	City of Chicago Board of Education	IL	bbb3	919	2,284
15	Ohana Military Communities, LLC	HI	aa3	863	2,197
16	Puerto Rico General Obligation	PR	d	855	1,203
17	Arapahoe County E-470 Toll Road	CO	bbb1	852	2,718
18	New York State Thruway Authority	NY	a2	841	1,188
19	Indiana Finance Authority Highway Lease	IN	aa2	841	1,148
20	City of Detroit Sewage Disposal System	MI	bbb1	815	1,281
21	Great River Energy Public Power	MN	a3	788	1,238
22	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	752	1,262
23	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb2	739	1,065
24	Puerto Rico Sales Tax Financing Corporation	PR	bbb3	684	4,170
25	Atlantic Marine Corps Communities LLC 0 Lejeune Cherry Point	NC	aa3	663	1,498
26	Denver City and County Airport System	CO	a1	644	888
27	District of Columbia General Obligation	DC	aa2	642	1,147
28	LCOR Alexandria L.L.C. Federal Lease	NC	bbb1	637	1,072
29	Los Angeles Unified School District General Obligation	CA	a1	628	903
30	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	619	1,113
31	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	617	4,844
32	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	598	936
33	JFK International Air Terminal Airport	NY	bbb3	577	758
34	New York City General Obligation	NY	aa3	569	707
35	Michigan State Building Authority Lease	MI	a1	566	890
36	Navy Mid-Atlantic Family Housing LLC	VA	aa2	554	1,199
37	New York State Power Authority	NY	aa2	537	941
38	Alameda Corridor Transportation Authority Port Rev	CA	a3	523	1,519
39	The Port Authority of New York and New Jersey	NY	a1	521	804
40	City of Houston Combined Utility System Revenue Bonds	TX	a2	502	529
41	Hudson Yards Infrastructure Corporation	NY	a3	500	1,186
42	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	463	736
43	New York State Lease	NY	a2	458	563
44	Kentucky Property & Buildings Commission Lease	KY	aa3	448	501
45	Illinois General Obligation	IL	bbb1	446	640
46	California Department of Water Resources Central Valley	CA	aa2	442	577
47	Oakland Port and Airport Revenue	CA	a1	440	589
48	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	439	3,426
49	Georgia Municipal Electric Authority	GA	a2	435	499
50	Massachusetts Water Resources Authority Water & Sewer	MA	aa3	428	643
	<b>Total</b>			<b>\$ 38,342</b>	<b>\$ 75,090</b>
	<b>Total Portfolio Exposure</b>			<b>\$ 124,993</b>	<b>\$ 212,921</b>
	<b>50 Largest Credits as % of Total Portfolio</b>			<b>30.7%</b>	<b>35.3%</b>

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

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

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

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

	Gross Par Outstanding		Gross Debt Service Outstanding	
	Amount	%	Amount	%
<b>Public Finance</b>				
AAA	\$ 5,881	4.7%	\$ 8,312	3.9%
AA	58,338	46.7%	92,065	43.2%
A	41,839	33.5%	68,476	32.2%
BBB	13,022	10.4%	30,732	14.4%
<BBB	5,913	4.7%	13,336	6.3%
Total	\$ 124,993	100.0%	\$ 212,921	100.0%

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

Obligor Name	Gross Par Outstanding <sup>(2)</sup>	Gross Debt Service Outstanding
1 Puerto Rico Electric Power Authority	\$ 1,249	\$ 1,820
2 City of Chicago Board of Education	919	2,284
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 Atlantic City Casino Reinvestment Development Authority Parking Fee	159	201
7 Frontier Communications Corporation	139	242
8 Fresno City Pension Obligation	139	210
9 North Las Vegas Water & Sewer	120	187
10 Capital Projects Finance Authority Florida Universities Student Housing 2000F-1	113	167
<b>Total Top 10 BIG Outstanding</b>	<b>\$ 4,996</b>	<b>\$ 11,597</b>
Total BIG Outstanding	\$ 5,913	\$ 13,336
Total National Outstanding	\$ 124,993	\$ 212,921
<b>Top 10 BIG as % of National</b>	<b>4.0%</b>	<b>5.4%</b>
<b>Total BIG as % of National</b>	<b>4.7%</b>	<b>6.3%</b>
<b>Total BIG as % of National by National ratings</b>	<b>3.0%</b>	<b>2.9%</b>

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

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

Investor Relations Contacts

Chris Young  
Managing Director  
Chief Financial Officer  
914-765-3121  
[chris.young@nationalpfg.com](mailto:chris.young@nationalpfg.com)

Nick Sourbis  
Managing Director Investor Relations  
Fixed Income Investor Relations  
914-765-3385  
[nicholas.sourbis@nationalpfg.com](mailto:nicholas.sourbis@nationalpfg.com)