



**MBIA Inc.**  
**Quarterly Operating Supplement**  
September 30, 2018



Third Quarter 2018

MBIA Inc. and Subsidiaries  
Quarterly Operating Supplement<sup>(1)</sup>

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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 insured 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 (“NYDFS”) 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 NYDFS 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 the Quarterly Report on Form 10-Q for the quarterly period ended September 30, 2018. The Company encourages readers to review these risk factors in their entirety.

## MBIA Inc. (Consolidated)

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**MBIA Inc. and Subsidiaries**  
**Consolidated Balance Sheets (Unaudited)**  
(in millions except share and per share amounts)

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,562 and \$3,728)	\$ 3,533	\$ 3,712
Investments carried at fair value	231	200
Investments pledged as collateral, at fair value (amortized cost \$32 and \$147)	30	148
Short-term investments, at fair value (amortized cost \$411 and \$589)	411	589
Other investments (includes investments at fair value of \$- and \$4)	1	6
Total investments	4,206	4,655
Cash and cash equivalents	167	122
Premiums receivable	306	369
Deferred acquisition costs	78	95
Insurance loss recoverable	1,542	511
Other assets	125	128
Assets of consolidated variable interest entities:		
Cash	12	24
Investments held-to-maturity, at amortized cost (fair value \$901 and \$916)	890	890
Investments carried at fair value	163	182
Loans receivable at fair value	428	1,679
Loan repurchase commitments	415	407
Other assets	29	33
<b>Total assets</b>	<b>\$ 8,361</b>	<b>\$ 9,095</b>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 609	\$ 752
Loss and loss adjustment expense reserves	1,033	979
Long-term debt	2,218	2,121
Medium-term notes (includes financial instruments carried at fair value of \$123 and \$115)	738	765
Investment agreements	314	337
Derivative liabilities	173	262
Other liabilities	196	165
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of \$709 and \$1,069)	1,960	2,289
<b>Total liabilities</b>	<b>7,241</b>	<b>7,670</b>
Equity:		
Preferred stock, par value \$1 per share; authorized shares--10,000,000; issued and outstanding--none	-	-
Common stock, par value \$1 per share; authorized shares--400,000,000; issued shares--283,625,689 and 283,717,973	284	284
Additional paid-in capital	3,155	3,171
Retained earnings	973	1,095
Accumulated other comprehensive income (loss), net of tax of \$7 and \$16	(206)	(19)
Treasury stock, at cost--192,936,029 and 192,233,526 shares	(3,098)	(3,118)
Total shareholders' equity of MBIA Inc.	1,108	1,413
Preferred stock of subsidiary	12	12
<b>Total equity</b>	<b>1,120</b>	<b>1,425</b>
<b>Total liabilities and equity</b>	<b>\$ 8,361</b>	<b>\$ 9,095</b>

**MBIA Inc. and Subsidiaries**  
**Consolidated Statements of Operations (Unaudited)**  
(in millions except share and per share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 44	\$ 26	\$ 96	\$ 82
Refunding premiums earned	18	27	42	64
Premiums earned (net of ceded premiums of \$1, \$1, \$4 and \$4)	62	53	138	146
Net investment income	31	33	96	122
Fees and reimbursements	17	1	23	9
Change in fair value of insured derivatives:				
Realized gains (losses) and other settlements on insured derivatives	(5)	(7)	(49)	(41)
Unrealized gains (losses) on insured derivatives	4	6	36	(10)
Net change in fair value of insured derivatives	(1)	(1)	(13)	(51)
Net gains (losses) on financial instruments at fair value and foreign exchange	5	(11)	18	(55)
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(26)	-	(80)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	(1)	(45)	(3)	(4)
Net investment losses related to other-than-temporary impairments	(1)	(71)	(3)	(84)
Net gains (losses) on extinguishment of debt	3	1	3	9
Other net realized gains (losses)	1	(1)	-	36
Revenues of consolidated variable interest entities:				
Net investment income	9	8	25	20
Net gains (losses) on financial instruments at fair value and foreign exchange	12	21	29	2
Other net realized gains (losses)	(33)	-	(126)	28
Total revenues	105	33	190	182
<b>Expenses:</b>				
Losses and loss adjustment	46	205	177	469
Amortization of deferred acquisition costs	9	8	17	23
Operating	18	21	57	82
Interest	52	50	155	148
Expenses of consolidated variable interest entities:				
Operating	3	3	8	8
Interest	22	19	63	55
Total expenses	150	306	477	785
Income (loss) before income taxes	(45)	(273)	(287)	(603)
Provision (benefit) for income taxes	-	(6)	2	965
<b>Net income (loss)</b>	<b>\$ (45)</b>	<b>\$ (267)</b>	<b>\$ (289)</b>	<b>\$ (1,568)</b>
<b>Net income (loss) per common share:</b>				
Basic	\$ (0.50)	\$ (2.17)	\$ (3.24)	\$ (12.38)
Diluted	\$ (0.50)	\$ (2.17)	\$ (3.24)	\$ (12.38)
<b>Weighted average number of common shares outstanding:</b>				
Basic	89,490,267	122,967,924	89,075,892	126,643,642
Diluted	89,490,267	122,967,924	89,075,892	126,643,642

**MBIA Inc. and Subsidiaries**  
**Adjusted Net Income (Loss) Reconciliation (Non-GAAP Basis) <sup>(1) (2)</sup>**  
(in millions except per share amounts)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Net income (loss)	\$ (45)	\$ (267)	\$ (289)	\$ (1,568)
Less: Adjusted Net Income (Loss) Adjustments				
Income (loss) before income taxes of Non-Core Operations <sup>(3)</sup>	(34)	(83)	(190)	(268)
Adjustments before income taxes <sup>(4)</sup> :				
Mark-to-market gains (losses) on financial instruments <sup>(5)</sup>	18	13	45	29
Foreign exchange gains (losses) <sup>(5)</sup>	2	(18)	15	(57)
Net gains (losses) on sales of investments <sup>(5)</sup>	(1)	(1)	(12)	14
Net investment losses related to OTTI	(1)	(71)	(3)	(84)
Net gains (losses) on extinguishment of debt	3	1	3	9
Other net realized gains (losses)	-	(1)	(2)	(3)
Adjusted net income adjustment for income taxes <sup>(6)</sup>	-	6	(1)	(965)
Adjusted Net Income (loss)	<u>\$ (32)</u>	<u>\$ (113)</u>	<u>\$ (144)</u>	<u>\$ (243)</u>
Adjusted Net Income (loss) per diluted common share	<u>\$ (0.35)</u>	<u>\$ (0.91)</u>	<u>\$ (1.62)</u>	<u>\$ (1.93)</u>
<b>Diluted Weighted Average Shares Outstanding</b>	<b>89.5</b>	<b>123.0</b>	<b>89.1</b>	<b>126.6</b>

**Adjusted Net Income (Loss) Trend <sup>(1) (2)</sup>**

	2018				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Adjusted Net Income (loss)	\$ <u>(61)</u>	\$ <u>(51)</u>	\$ <u>(32)</u>		\$ <u>(144)</u>
	2017				
	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Adjusted Net Income (loss)	\$ <u>9</u>	\$ <u>(139)</u>	\$ <u>(113)</u>	\$ <u>(167)</u>	\$ <u>(410)</u>

(1) A non-GAAP measure. Please see glossary for an explanation of Adjusted Net Income (Loss).

(2) Totals may not add due to rounding.

(3) Non-Core Operations include the International and Structured Finance Insurance Segment and eliminations.

(4) Adjustments exclude the International and Structured Finance segment and eliminations and include select mark-to-market gains/losses on financial instruments in the U.S. Public Finance and Corporate segments.

(5) Gross amounts are reported with "Net gains (losses) on financial instruments at fair value and foreign exchange" on the Company's consolidated statements of operations.

(6) Reported within the "Provision (benefit) for income taxes" on the Company's consolidated statements of operations.

**MBIA Inc.**

**Adjusted Book Value Per Share** <sup>(1) (2)</sup>

	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Book Value Per Share</b>	<b>\$ 12.22</b>	<b>\$ 15.44</b>
Book value per share adjustments:		
Remove negative book value of the MBIA Corp. <sup>(3)</sup>	10.55	8.84
Remove net unrealized (gains) losses on available-for-sale securities included in other comprehensive income (loss)	0.38	0.26
Add net unearned premium revenue in excess of expected losses <sup>(4) (5)</sup>	3.65	4.23
Total book value adjustments	14.58	13.33
<b>Adjusted Book Value Per Share</b>	<b>\$ 26.80</b>	<b>\$ 28.77</b>
Shares outstanding in millions	90.7	91.5

- (1) A non-GAAP measure; please see glossary for an explanation of ABV.
- (2) We modified our calculation of ABV in the second quarter of 2018 and revised the prior year's calculation to conform to the current presentation. The net unearned premium revenue component of ABV has been adjusted to remove the amount of unearned premium revenue that is used in the GAAP calculation of our insurance loss reserves.
- (3) The book value of MBIA Corp. does not provide significant economic or shareholder value to MBIA Inc. The amounts being reversed exclude all deferred taxes available to MBIA Inc., net of valuation allowance.
- (4) The discount rate on financial guarantee installment premiums was the risk-free rate as defined by GAAP for financial guarantee insurance contracts.
- (5) The amounts consist of financial guarantee premiums in excess of expected losses, net of the related deferred acquisition costs.

**Securities Buyback Activity**  
(in millions)

	<u>1st Qtr.</u>		<u>2nd Qtr.</u>		<u>3rd Qtr.</u>		<u>4th Qtr.</u>		<u>Year-to-date</u>	
	Cost	Gain/ Value	Cost	Gain/ Value	Cost	Gain/ Value	Cost	Gain/ Value	Cost	Gain/ Value
<b>2018</b>										
Common Stock Repurchases <sup>(1) (2)</sup>	\$ 14.2	\$ N/A	\$ -	\$ N/A	\$ -	\$ N/A			\$ 14.2	\$ N/A
Debt <sup>(4)</sup>										
MBIA Inc. Senior Unsecured	-	-	0.1	-	0.1	-			0.2	-
MBIA GFL MTNs <sup>(5)</sup>	20.0	0	-	-	35.2	5.3			55.2	5.3
Investment Agreements	-	-	-	-	-	-			-	-
<b>MBIA Inc. (Consolidated)</b>	<b>\$ 34.2</b>	<b>\$ 0</b>	<b>\$ 0.1</b>	<b>\$ -</b>	<b>\$ 35.3</b>	<b>\$ 5.3</b>			<b>\$ 69.6</b>	<b>\$ 5.3</b>

	<u>1st Qtr.</u>		<u>2nd Qtr.</u>		<u>3rd Qtr.</u>		<u>4th Qtr.</u>		<u>Full Year</u>	
	Cost	Gain/ Value	Cost	Gain/ Value	Cost	Gain/ Value	Cost	Gain/ Value	Cost	Gain/ Value
<b>2017</b>										
Common Stock Repurchases <sup>(1) (3)</sup>	\$ 40.0	\$ N/A	\$ 35.0	\$ N/A	\$ 25.4	\$ N/A	\$ 224.6	N/A	\$ 325.0	\$ N/A
Debt <sup>(4)</sup>										
MBIA Inc. Senior Unsecured	-	-	-	-	-	-	-	-	-	-
MBIA GFL MTNs <sup>(5)</sup>	34.6	7.7	-	-	-	-	99.1	18.3	133.7	26.0
Investment Agreements	-	-	-	-	-	-	-	-	-	-
<b>MBIA Inc. (Consolidated)</b>	<b>\$ 74.6</b>	<b>\$ 7.7</b>	<b>\$ 35.0</b>	<b>\$ -</b>	<b>\$ 25.4</b>	<b>\$ -</b>	<b>\$ 323.7</b>	<b>\$ 18.3</b>	<b>\$ 458.7</b>	<b>\$ 26.0</b>

- (1) Presented on a trade date basis.
- (2) Purchased by National.
- (3) National purchased \$15 million, \$25 million, and \$225 million in the second, third and fourth quarters of 2017, respectively.
- (4) Presented on a cash settlement basis.
- (5) MBIA Global Funding LLC.



# National Public Finance Guarantee Corporation

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

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
<b>Assets</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$2,821 and \$3,115)	\$ 2,743	\$ 3,061
Investments carried at fair value	204	175
Investments pledged as collateral, at fair value (amortized cost \$138 and \$129)	132	126
Short-term investments at fair value (amortized cost \$205 and \$142)	204	142
Other investments (includes investments at fair value of \$- and \$3)	1	5
<b>Total investments</b>	<u>3,284</u>	<u>3,509</u>
Cash and cash equivalents	100	54
Securities purchased under agreements to resell	130	124
Premiums receivable	162	167
Current income taxes	-	90
Deferred acquisition costs	112	127
Insurance loss recoverable	542	322
Receivable for investments sold	6	1
Deferred income taxes, net	64	2
Other assets	53	41
<b>Total assets</b>	<u>\$ 4,453</u>	<u>\$ 4,437</u>
<b>Liabilities and Equity</b>		
Liabilities:		
Unearned premium revenue	\$ 491	\$ 564
Loss and loss adjustment expense reserves	624	503
Securities sold under agreements to repurchase	130	124
Payable for investments purchased	82	34
Derivative liabilities	2	2
Other liabilities	42	25
<b>Total liabilities</b>	<u>1,371</u>	<u>1,252</u>
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,048	2,062
Retained earnings	1,085	1,145
Accumulated other comprehensive income (loss), net of tax of \$18 and \$20	(66)	(37)
<b>Total equity</b>	<u>3,082</u>	<u>3,185</u>
<b>Total liabilities and equity</b>	<u>\$ 4,453</u>	<u>\$ 4,437</u>

**National Public Finance Guarantee Corporation**  
**GAAP Consolidated Statements of Operations (Unaudited)**  
(in millions)

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b>Revenues:</b>				
Premiums earned:				
Scheduled premiums earned	\$ 14	\$ 19	\$ 40	\$ 60
Refunding premiums earned	10	27	35	65
Premiums earned	24	46	75	125
Net investment income	27	27	83	87
Fees and reimbursements	1	1	2	2
Net gains (losses) on financial instruments at fair value and foreign exchange	1	2	(14)	20
Net investment losses related to other-than-temporary impairments	(1)	(71)	(3)	(84)
Other net realized gains (losses)	-	(1)	-	(1)
Total revenues	<u>52</u>	<u>4</u>	<u>143</u>	<u>149</u>
<b>Expenses:</b>				
Losses and loss adjustment	48	141	184	310
Amortization of deferred acquisition costs	6	10	17	28
Operating	9	14	31	53
Total expenses	<u>63</u>	<u>165</u>	<u>232</u>	<u>391</u>
Income (loss) before income taxes	(11)	(161)	(89)	(242)
Provision (benefit) for income taxes	(3)	(55)	(20)	(86)
<b>Net income (loss)</b>	<u><u>\$ (8)</u></u>	<u><u>\$ (106)</u></u>	<u><u>\$ (69)</u></u>	<u><u>\$ (156)</u></u>

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

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

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Gross Unearned Premiums <sup>(1)</sup>	Expected Future Premiums Earnings <sup>(1)(2)</sup>				Net Cash Premiums Collected and Expected <sup>(3)</sup>
				Upfronts	Installments	Accretion	Total	
3rd Qtr. 2018	60,764	116,188	492					6
4th Qtr. 2018	59,389	113,880	480	10	2	1	13	4
2019	54,446	105,027	433	38	9	5	52	12
2020	50,035	96,817	390	34	9	4	47	12
2021	45,441	88,743	350	31	9	4	44	11
2022	41,709	81,841	313	28	9	4	41	11
2023-2027	25,176	51,107	172	103	38	17	158	51
2028-2032	13,467	29,093	89	52	31	12	95	44
2033-2037	6,595	15,887	43	23	23	7	53	34
2038-2042	3,681	8,545	16	11	16	4	31	25
2043-2047	1,148	2,205	3	5	9	1	15	14
2048 and thereafter	-	-	-	1	1	-	2	4
<b>Total</b>				<b>\$336</b>	<b>\$156</b>	<b>\$59</b>	<b>\$551</b>	<b>\$222</b>

(1) Includes financial guarantee and insured derivative premiums.

(2) Actual future premium earnings will differ from the current projection due to refundings.

(3) Represents installment-based future net, undiscounted collections.

**Statutory Balance Sheets Summary**

	9/30/2018	12/31/2017
<b>Assets:</b>		
Cash and Investments	\$ 3,338	\$ 3,502
Asset Swap Facility with MBIA Inc.	130	124
Other Assets	40	128
<b>Total Assets</b>	<b>\$ 3,508</b>	<b>\$ 3,754</b>
<b>Liabilities:</b>		
Unearned Premiums	514	585
Loss and LAE Reserves <sup>(1)</sup>	62	227
Contingency Reserve	538	594
Asset Swap Facility with MBIA Inc.	130	124
Other Liabilities	120	58
<b>Total Liabilities</b>	<b>1,364</b>	<b>1,588</b>
Total Policyholders' Surplus	2,144	2,166
<b>Total Liabilities and Policyholders' Surplus</b>	<b>\$ 3,508</b>	<b>\$ 3,754</b>

**Claims-Paying Resources**

	9/30/2018	12/31/2017
Policyholders' Surplus	\$ 2,144	\$ 2,166
Contingency Reserve	538	594
Statutory Capital	2,682	2,760
Unearned Premiums	514	585
Present Value of Installment Premiums <sup>(1)</sup>	159	164
Premium Resources <sup>(2)</sup>	673	749
Net Loss and LAE Reserves <sup>(1)</sup>	62	227
Salvage Reserve	621	387
Gross Loss and LAE Reserves	683	614
<b>Total Claims-Paying Resources</b>	<b>\$ 4,038</b>	<b>\$ 4,123</b>
Net Debt Service Outstanding	\$ 112,459	\$ 129,668
Capital Ratio	42:1	47:1
Claims-Paying Resources Ratio	29:1	33:1

(1) As of September 30, 2018 and December 31, 2017, the discount rate was 3.25%.

(2) Includes financial guarantee and insured credit derivative related premiums.

**National Public Finance Guarantee Corporation**  
**Investment Portfolio Including Cash and Cash Equivalents**  
**as of September 30, 2018**  
(dollars in millions)

**GAAP Accounting Basis**

<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>	\$ 350	12	\$ 252	4.58
Long-Term Taxable	2,525	85	2,707	4.16
Short-Term	103	3	103	2.23
Total Fixed Maturity	2,978	100	\$ 3,062	4.13
Cash and Cash Equivalents	100			
Total Fixed Income Including Cash and Cash Equivalents	3,078			
Investments Carried at Fair Value <sup>(3)</sup>	305			
Other	1			
Total	<u>\$ 3,384</u>			

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

Corporate Obligations	\$ 1,596	52
State and Municipal Bonds	561	18
MBS	285	9
US Treasury	270	9
ABS	263	9
Cash and Cash Equivalents	100	3
Foreign Governments	3	-
Total	<u>\$ 3,078</u>	100

**Effective Maturity Profile**

Cash and Cash Equivalents	\$ 100	3
≤ 1 yr	607	20
> 1 to 5 yrs	589	19
> 5 to 10 yrs	569	18
> 10 to 15 yrs	139	5
> 15 to 20 yrs	306	10
> 20 yrs	768	25
Total	<u>\$ 3,078</u>	100

**Credit Quality Distribution of Long-Term Bonds Rating <sup>(4)</sup>**

Aaa	\$ 780	27
Aa	398	14
A	533	19
Baa	757	26
BIG	253	9
NR	154	5
Total	<u>\$ 2,875</u>	100

*Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 14.37 years*  
*Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 6.70 years*

- (1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$130 million; total market value of encumbered assets total \$132 million.  
(2) Market value includes \$189 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National), \$92 million of Puerto Rico Electric Power Authority bonds (uninsured by National or MBIA) and \$2 million of Puerto Rico Highway & Transportation bonds (insured by National).  
(3) Includes money market securities.  
(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**

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

(in millions)

2018	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 115	\$ 100	\$ 291		\$ 115
Total Inflows <sup>(3)</sup>	25	26	17		68
Gross Loss & LAE Payments	70	2	210		282
Tax Payments (Refunds)	(46)	11	6		(29)
Other Payments	11	12	18		41
Total Outflows	35	25	234		294
Operating Cash Flow	(10)	1	(217)		(226)
Investing Activities	(5)	190	(19)		166
Net Cash Flow	(15)	191	(236)		(60)
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 100	\$ 291	\$ 55		\$ 55
Other Liquid Assets <sup>(4)</sup>	243	444	553		553
<b>Ending Liquidity Position</b>	\$ 343	\$ 735	\$ 608		\$ 608

2017	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
<b>Beginning Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 115	\$ 41	\$ 30	\$ 30	\$ 115
Total Inflows <sup>(3)</sup>	25	29	22	26	102
Gross Loss & LAE Payments	26	3	220	3	252
Tax Payments	-	28	-	2	30
Other Payments	21	16	18	19	74
Total Outflows	47	47	238	24	356
Operating Cash Flow	(22)	(18)	(216)	2	(254)
Financing Activities	-	-	-	(118)	(118)
Investing Activities	(52)	7	216	201	372
Net Cash Flow	(74)	(11)	-	85	-
<b>Ending Cash &amp; Cash Equivalents<sup>(2)</sup></b>	\$ 41	\$ 30	\$ 30	\$ 115	\$ 115
Other Liquid Assets <sup>(4)</sup>	255	659	396	113	113
<b>Ending Liquidity Position</b>	\$ 296	\$ 689	\$ 426	\$ 228	\$ 228

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Liquidity Position excludes 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 and cash equivalents of alternative investment strategies.

(3) Includes investment income, salvage, premium receipts and other.

(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**  
**Insured Portfolio Profile**  
**(dollars in millions)**

**By Geography**

	<b>Outstanding as of September 30, 2018</b>			
	<b>Par Outstanding <sup>(1)</sup></b>		<b>Debt Service Outstanding <sup>(1)</sup></b>	
	<b>Gross Amount</b>	<b>%</b>	<b>Gross Amount</b>	<b>%</b>
<b>United States</b>				
California	\$ 12,778	21.0	\$ 26,777	23.0
New Jersey	4,485	7.4	6,906	5.9
New York	4,400	7.2	6,374	5.5
Illinois	3,999	6.6	11,643	10.0
Puerto Rico	3,271	5.4	7,905	6.8
Florida	2,668	4.4	3,387	2.9
Texas	2,547	4.2	4,423	3.8
Georgia	2,059	3.4	2,699	2.3
Hawaii	1,956	3.2	4,397	3.8
Oregon	1,759	2.9	3,334	2.9
Subtotal	<u>39,922</u>	<u>65.7</u>	<u>77,845</u>	<u>66.9</u>
Other States & Territories	17,845	29.4	31,901	27.5
Nationally Diversified	2,997	4.9	6,442	5.6
Total	<u>\$ 60,764</u>	<u>100.0</u>	<u>\$ 116,188</u>	<u>100.0</u>

**By Bond Type**

	<b>Outstanding as of September 30, 2018</b>			
	<b>Par Outstanding <sup>(1)</sup></b>		<b>Debt Service Outstanding <sup>(1)</sup></b>	
	<b>Gross Amount</b>	<b>%</b>	<b>Gross Amount</b>	<b>%</b>
<b>Bond Type</b>				
General Obligation <sup>(2)</sup>	\$ 18,411	30.3	\$ 35,947	30.9
Tax-Backed	11,524	19.0	24,531	21.1
Municipal Utilities	9,991	16.4	14,871	12.8
Military Housing	7,256	11.9	15,964	13.8
Transportation	5,085	8.4	12,464	10.7
General Obligation - lease	3,183	5.3	4,300	3.7
Higher Education <sup>(3)</sup>	1,783	2.9	2,477	2.1
Investor Owned Utilities	1,599	2.6	2,662	2.3
Health Care	1,174	1.9	1,760	1.5
Other <sup>(4)</sup>	559	1.0	930	0.9
Municipal Housing	199	0.3	282	0.2
Total	<u>\$ 60,764</u>	<u>100.0</u>	<u>\$ 116,188</u>	<u>100.0</u>

(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) 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.

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

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

**National Public Finance Guarantee Corporation**  
**Insured Portfolio - 50 Largest Credits**  
**By Gross Par Outstanding as of September 30, 2018**  
(dollars in millions)

	Obligor Name	State	Internal Rating <sup>(1)</sup>	Gross Par Outstanding <sup>(2)</sup>	Gross Debt Service Outstanding <sup>(2)</sup>
1	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	bbb1	\$ 1,284	\$ 2,118
2	Oregon School Boards Association General Obligation	OR	aa3	1,225	1,975
3	Army Hawaii Family Housing	HI	aa2	1,113	2,305
4	New Jersey Transportation Trust Fund Authority	NJ	bbb1	1,101	1,555
5	Puerto Rico Electric Power Authority	PR	d	1,089	1,516
6	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,037	2,212
7	San Diego Family Housing Privatization Military	CA	aa1	963	2,084
8	Ohana Military Communities, LLC	HI	aa3	830	2,074
9	Puerto Rico General Obligation	PR	d	779	1,011
10	City of Chicago Board of Education	IL	bbb3	721	1,968
11	Illinois Regional Transportation Authority	IL	aa3	697	1,017
12	Puerto Rico Sales Tax Financing Corporation	PR	d	684	4,170
13	Great River Energy Public Power	MN	a3	684	1,039
14	Massachusetts General Obligation	MA	a1	655	844
15	Atlantic Marine Corps Communities LLC	NC	aa3	649	1,411
16	Chicago General Obligation	IL	bbb2	641	1,504
17	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	616	4,450
18	LCOR Alexandria L.L.C. Federal Lease	VA	bbb1	598	948
19	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	552	829
20	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	549	973
21	Navy Mid-Atlantic Family Housing LLC	VA	aa2	542	1,129
22	JFK International Air Terminal Airport	NY	bbb3	486	606
23	Alameda Corridor Transportation Authority Port Revenue Bonds	CA	a3	475	1,421
24	New York State Power Authority	NY	aa2	466	816
25	Great Lakes Water Authority - Sewer System	MI	bbb1	450	609
26	Arapahoe County E-470 Toll Road	CO	bbb1	438	2,053
27	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	423	637
28	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	406	3,198
29	Navy Southeast	FL	bbb3	404	1,011
30	City of Houston Combined Utility System Revenue Bonds	TX	aa2	384	385
31	Phoenix Civic Improvement Corp State Payments	AZ	aa3	370	727
32	Santa Clara County Pension Obligation	CA	aa3	352	724
33	Sacramento County Water Financing Authority Water	CA	a2	343	524
34	New Jersey Economic Development Authority Lease	NJ	bbb1	339	456
35	Fort Drum Family Housing	NY	aa3	333	758
36	Georgia Municipal Electric Authority	GA	a3	316	353
37	Pedernales Electric Cooperative	TX	a2	313	480
38	Atlanta City Water & Sewer	GA	a3	310	374
39	Oglethorpe Power Corporation	GA	a3	300	541
40	San Francisco International Airport	CA	a2	295	336
41	Cincinnati City School District General Obligation	OH	aa3	294	415
42	Central Puget Sound Regional Transit Auth Sales	WA	aa2	293	364
43	District of Columbia Sales Tax-Stadium Revenue	DC	bbb1	293	472
44	New York City IDA (Yankee Stadium)	NY	bbb2	283	520
45	Kentucky Municipal Power Agency	KY	bbb1	278	476
46	San Mateo County Community College District GO	CA	aa1	276	820
47	Philadelphia City Auth Industrial Dev GO	PA	bbb2	274	425
48	Pacific Beacon LLC	CA	a1	273	650
49	Fort Dix/McGuire AFB Military Housing	NJ	aa2	260	576
50	Sacramento County Pension Obligation	CA	a3	246	332
	<b>Total</b>			<b>\$ 26,982</b>	<b>\$ 58,191</b>
	<b>Total Portfolio Exposure</b>			<b>\$ 60,764</b>	<b>\$ 116,188</b>
	<b>50 Largest Credits as % of Total Portfolio</b>			<b>44.4%</b>	<b>50.1%</b>

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

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



**National Public Finance Guarantee Corporation**  
**as of September 30, 2018**  
(dollars in millions)

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

	<u>Gross Par Outstanding<sup>(2)</sup></u>		<u>Gross Debt Service Outstanding<sup>(2)</sup></u>	
	Amount	%	Amount	%
<b><u>Public Finance</u></b>				
AAA	\$ 3,685	6.1%	\$ 6,280	5.4%
AA	23,046	37.9%	40,794	35.1%
A	19,572	32.2%	34,847	30.0%
BBB	8,810	14.5%	17,984	15.5%
<BBB	5,651	9.3%	16,283	14.0%
Total	<u>\$ 60,764</u>	<u>100.0%</u>	<u>\$ 116,188</u>	<u>100.0%</u>

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

Obligor Name	Gross Par Outstanding <sup>(2)</sup>	Gross Debt Service Outstanding <sup>(2)</sup>
1 Puerto Rico Electric Power Authority	\$ 1,089	\$ 1,516
2 Puerto Rico General Obligation	779	1,011
3 City of Chicago Board of Education	721	1,968
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Illinois Metropolitan Pier & Exposition Authority	616	4,450
6 Puerto Rico Highway and Transportation Authority Transportation Revenue	549	973
7 Virgin Islands Public Finance Authority Gross Receipts	193	259
8 Atlantic Marine Corp Communities LLC (Class IV)	142	285
9 Frontier Communications Corporation	139	222
10 Atlantic City Casino Reinvestment Development Authority Parking Fee	119	145
<b>Total Top 10 BIG Outstanding</b>	<u>\$ 5,031</u>	<u>\$ 14,999</u>
Total BIG Outstanding	\$ 5,651	\$ 16,283
Total National Outstanding	\$ 60,764	\$ 116,188
<b>Top 10 BIG as % of National</b>	<b>8.3%</b>	<b>12.9%</b>
<b>Total BIG as % of National</b>	<b>9.3%</b>	<b>14.0%</b>
<b>Total BIG as % of National by National ratings</b>	<b>7.2%</b>	<b>8.6%</b>

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

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

## MBIA Insurance Corporation and Subsidiaries

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**MBIA Insurance Corporation**  
**Statutory Balance Sheets**  
(in millions)

	<u>September 30, 2018</u>	<u>December 31, 2017</u>
<b>Assets</b>		
Bonds	\$ 87	\$ 86
Cash and short-term investments	155	166
Investment in MBIA Mexico	6	6
Total investments	<u>248</u>	<u>258</u>
Interest and dividends accrued	1	1
Other assets	4	3
Total other assets	<u>5</u>	<u>4</u>
<b>Total assets</b>	<b><u>\$ 253</u></b>	<b><u>\$ 262</u></b>
<b>Liabilities</b>		
Unearned premiums	\$ 115	\$ 195
Contingency reserve	198	227
Borrowed money	417	386
Loss and LAE reserve <sup>(1)</sup>	(882)	(792)
Other liabilities	16	9
<b>Total liabilities</b>	<b><u>(136)</u></b>	<b><u>25</u></b>
<b>Policyholders' Surplus</b>		
Common stock	15	15
Preferred stock	276	276
Surplus Notes	953	953
Paid in Capital	783	783
Unassigned surplus	(1,638)	(1,790)
<b>Total policyholders' surplus</b>	<b><u>389</u></b>	<b><u>237</u></b>
<b>Total liabilities and policyholders' surplus</b>	<b><u>\$ 253</u></b>	<b><u>\$ 262</u></b>

(1) As of September 30, 2018 and December 31, 2017, the rate used to discount reserves was 5.20%.

**MBIA Insurance Corporation**  
**Statutory Statements of Income**  
(in millions)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Gross premiums written	\$ 28	\$ 10	\$ 55	\$ 37
Ceded premiums written	(4)	(3)	(9)	(8)
Net premiums written	24	7	46	29
<b>Underwriting income</b>				
Net premiums earned	85	12	119	42
Losses and LAE incurred	(13)	63	(26)	162
Underwriting expenses incurred	(13)	4	(11)	10
Net investment gain (loss)	111	(55)	156	(130)
<b>Investment income</b>				
Net investment income earned	(13)	(21)	(37)	(28)
Net realized capital gains (losses)	-	9	-	271
Net investment gain (loss)	(13)	(12)	(37)	243
<b>Other income (expense)</b>				
Non-operating income (expense)	(3)	(7)	3	16
Income (loss) before taxes	95	(74)	122	129
Income tax provision (benefit)	-	-	-	-
<b>Net income (loss)</b>	<b>\$ 95</b>	<b>\$ (74)</b>	<b>\$ 122</b>	<b>\$ 129</b>

**MBIA Insurance Corporation (excluding Subsidiaries)**

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

(in millions)

2018	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
<b>Beginning Cash &amp; Cash Equivalents <sup>(2)</sup></b>	\$ 26	\$ 77	\$ 56		\$ 26
Premiums and Fees	13	19	52		84
Salvage Received	24	20	25		69
Other <sup>(3)</sup>	-	7	1		8
<b>Total Inflows</b>	<u>37</u>	<u>46</u>	<u>78</u>		<u>161</u>
Gross Loss & LAE Payments <sup>(3)</sup>	37	39	18		94
Other Payments	18	16	9		43
<b>Total Outflows</b>	<u>55</u>	<u>55</u>	<u>27</u>		<u>137</u>
Operating Cash Flow	(18)	(9)	51		24
Investing Activities	69	(12)	(85)		(28)
Net Cash Flow	51	(21)	(34)		(4)
<b>Ending Cash &amp; Cash Equivalents <sup>(2)</sup></b>	\$ <u>77</u>	\$ <u>56</u>	\$ <u>22</u>		\$ <u>22</u>
Other Liquid Assets <sup>(5)</sup>	53	49	135		135
<b>Ending Liquidity Position</b>	\$ <u>130</u>	\$ <u>105</u>	\$ <u>157</u>		\$ <u>157</u>

2017	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
<b>Beginning Cash &amp; Cash Equivalents <sup>(2)</sup></b>	\$ 194	\$ 41	\$ 21	\$ 21	\$ 194
Premiums and Fees	9	17	11	18	55
Salvage Received	48	20	13	82	163
Other <sup>(3)</sup>	-	40	1	-	40
<b>Total Inflows</b>	<u>57</u>	<u>77</u>	<u>25</u>	<u>100</u>	<u>259</u>
Gross Loss & LAE Payments <sup>(3)(4)</sup>	825	65	37	30	957
Other Payments	12	9	12	15	48
<b>Total Outflows</b>	<u>837</u>	<u>74</u>	<u>49</u>	<u>45</u>	<u>1,005</u>
Operating Cash Flow	(780)	3	(24)	55	(746)
Financing Activities	710	-	-	-	710
Investing Activities	(83)	(23)	24	(50)	(132)
Net Cash Flow	(153)	(20)	-	5	(168)
<b>Ending Cash &amp; Cash Equivalents <sup>(2)</sup></b>	\$ <u>41</u>	\$ <u>21</u>	\$ <u>21</u>	\$ <u>26</u>	\$ <u>26</u>
Other Liquid Assets <sup>(5)</sup>	70	94	72	119	119
<b>Ending Liquidity Position</b>	\$ <u>111</u>	\$ <u>115</u>	\$ <u>93</u>	\$ <u>145</u>	\$ <u>145</u>

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Liquidity Position excludes assets of branches and subsidiaries, which are not readily available to MBIA Insurance Corporation.

(2) Reported for NY operations of MBIA Corp.

(3) May include payments/reinsurance recoveries on U.S. Public Finance transactions insured by MBIA Insurance Corporation that have been reinsured by National Public Finance Guarantee Corporation.

(4) Includes \$771 million Zohar II Note maturity.

(5) May include assets with stated maturities greater than 12 months that are deemed to be liquid.

**MBIA Insurance Corporation**  
(dollars in millions)

**Amortization of Gross Par, Gross Debt Service and Net Unearned Premium and Future Premiums**

	Ending Gross Par Outstanding <sup>(1)</sup>	Ending Gross Debt Service Outstanding <sup>(1)</sup>	Net Unearned Premiums <sup>(2)</sup>	Expected Future Premium Earnings <sup>(2)(3)</sup>	Estimated Cash Receivable <sup>(4)</sup>	Total	Net Cash Premiums Collected and Expected <sup>(5)(6)</sup>
3rd Qtr. 2018	12,565	17,422	115				27
4th Qtr. 2018	12,184	16,844	106	9	1	10	9
2019	10,749	14,742	94	12	26	38	25
2020	9,025	12,424	76	18	28	46	26
2021	7,375	10,283	63	13	20	33	19
2022	5,347	7,885	49	14	17	31	16
2023-2027	3,101	4,506	8	41	55	96	52
2028-2032	1,892	2,651	1	6	26	32	25
2033-2037	810	1,205	-	2	15	17	15
2038 and thereafter	-	-	-	-	13	13	14
Total				\$ 115	\$ 201	\$ 316	\$ 201

- (1) Excludes \$38 million and \$50 million of gross par and gross debt service, respectively, where MBIA Corp. insured exposure has been fully offset by way of loss remediation transactions.
- (2) Statutory accounting basis.
- (3) Actual future premium earnings will differ from the current projection due to changes in prepayment speeds, settlements and terminations.
- (4) Undiscounted, based on the Company's estimate of the remaining life for its insured exposures.
- (5) Represents installment-based future undiscounted collections net of amounts to be ceded to reinsurers.
- (6) Based on the Company's estimate of the remaining life for its insured exposures.

**Claims-Paying Resources**

	9/30/2018	12/31/2017
<b>Balance Sheet</b>		
Policyholders' Surplus	\$ 389	\$ 237
Contingency Reserve	198	227
Statutory Capital	587	464
Unearned Premiums	115	195
Present Value of Installment Premiums <sup>(1)</sup>	147	192
Premium Resources <sup>(2)</sup>	262	387
Net Loss and LAE Reserves <sup>(1)</sup>	(882)	(792)
Salvage Reserves	1,423	1,428
Gross Loss and LAE Reserves	541	636
Total Claims-Paying Resources	\$ 1,390	\$ 1,487
Net Debt Service Outstanding	\$ 16,692	\$ 20,151
Capital Ratio	28:1	43:1
Claims-Paying Resources Ratio	12:1	14:1

- (1) Calculated using a discount rate of 5.2% as of September 30, 2018 and December 31, 2017.
- (2) The amounts consist of financial guarantee insurance premiums and insured credit derivative revenue.

**MBIA Insurance Corporation**  
**Investment Portfolio Including Cash and Cash Equivalents**  
**as of September 30, 2018**  
(dollars in millions)

**Statutory Accounting Basis (Net Admitted)**

<b>Investments</b>	<b>Book/ Adjusted Carry Value</b>	<b>% Book Yield</b>	<b>Market Value</b>	<b>% of Market Value</b>
Bonds				
Long-Term Tax-Exempt <sup>(1)</sup>	\$ 20	5.09	\$ 23	23
Long-Term Taxable	67	5.08	71	72
Short-Term	5	2.31	5	5
Total Bonds	92	4.93	\$ 99	100
Cash and Cash Equivalents	150			
Total Fixed Income Including Cash and Cash Equivalents	242			
Common Stocks	6			
Total	\$ 248			
		<b>% of Book/ Adjusted Carry Value</b>		
<b>Fixed Income Portfolio Including Cash and Cash Equivalents</b>				
Cash and Cash Equivalents	\$ 150	62		
State and Municipal Bonds <sup>(1)</sup>	68	28		
MBS	10	4		
US Treasury	9	4		
Corporate Obligations	5	2		
Total	\$ 242	100		
<b>Effective Maturity Profile of Fixed Income Portfolio</b>				
Cash and Cash Equivalents	\$ 150	62		
≤ 1 yr	5	2		
> 1 to 5 yrs <sup>(1)</sup>	10	4		
> 10 to 15 yrs	3	1		
> 15 to 20 yrs	43	18		
> 20 yrs	31	13		
Total	\$ 242	100		
<b>Credit Quality Distribution of Long-Term Bonds Rating <sup>(2)</sup></b>				
Aaa	\$ 15	17		
Aa	49	57		
A	13	15		
C <sup>(1)</sup>	10	11		
Total	\$ 87	100		
<i>Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 4.84 years</i>				
<i>Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 3.83 years</i>				

(1) Includes \$630 thousand of Puerto Rico Sales Tax Finance Corporation bonds (uninsured), a NAIC designated 6 security, carried at market value.

(2) 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.

**International and Structured Finance Insurance**  
**(MBIA Insurance Corporation and Subsidiaries)**

**Insured Portfolio Profile**

(dollars in millions)

**Par Value by Bond Type**

**Outstanding as of September 30, 2018 <sup>(1)(2)(3)</sup>**

	<b>Gross</b>	<b>%</b>
<b>Public Finance: Non-United States</b>		
Transportation	\$ 2,646	21.1
Sovereign and Sub-Sovereign <sup>(4)</sup>	2,590	20.6
International Utilities	1,214	9.7
Other <sup>(5)</sup>	106	0.8
Total Non-United States Public Finance	\$ <u>6,556</u>	<u>52.2</u>
<b>Structured Finance - Global</b>		
Mortgage Backed Residential	\$ 2,878	22.9
Corporate Asset Backed <sup>(6)</sup>	2,032	16.2
Consumer Asset Backed	450	3.5
Collateralized Debt Obligations <sup>(7)</sup>	375	3.0
Mortgage Backed Commercial	274	2.2
Total Global Structured Finance	<u>6,009</u>	<u>47.8</u>
Grand Total	\$ <u>12,565</u>	<u>100.0</u>

**Par Value by Geography**

**Outstanding as of September 30, 2018 <sup>(1)(2)(3)</sup>**

	<b>Gross</b>	<b>%</b>
United States	\$ 5,320	42.3
Australia	1,877	14.9
Chile	1,367	10.9
Canada	1,293	10.3
United Kingdom	880	7.0
Mexico	867	6.9
Spain	299	2.4
Other <sup>(8)</sup>	480	3.8
Internationally Diversified	182	1.5
Total Non-United States	<u>7,245</u>	<u>57.7</u>
Total	\$ <u>12,565</u>	<u>100.0</u>

(1) Excludes \$1.4 billion guaranteed by MBIA Insurance Corporation for MZ Funding notes, investment agreements, and medium notes issued by various affiliated companies.

(2) Includes consolidated insured Variable Interest Entities (VIEs) and insured Credit Derivatives.

(3) Excludes \$38 million of gross par where MBIA Corp.'s insured exposure has been fully offset by way of loss remediation transactions.

(4) Includes Regions, Departments or their equivalent in each jurisdiction as well as sovereign owned entities that are Sovereign State, Region or Department.

(5) Includes municipal-owned entities backed by the sponsoring local government and a tax-backed transaction.

(6) Includes \$1.0 billion of structured insurance securitizations.

(7) Includes a transaction (represented by a structured pool of commercial real estate assets) that does not include typical CDO structuring characteristics, cash flow waterfalls, or interest and over-collateralization coverage tests.

(8) Includes France, Ireland, New Zealand, and Turkey.



**International and Structured Finance Insurance**  
**(MBIA Insurance Corporation and Subsidiaries)**  
(dollars in millions)

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

Obligor Name	Gross Par Outstanding
1 Structured Insurance Securitization Private 13-16	\$ 575
2 Private Sovereign and Sub-Sovereign 100-103	164
3 Private Sovereign and Sub-Sovereign 52,55-57,67,87-90	135
4 MS CDO 29	131
5 Private Secondary-Domestic RMBS Transaction	109
6 Countrywide Home Equity Series 2007-S1/Second Lien RMBS	106
7 Countrywide Home Equity Master Trust Series 2006-S10	106
8 Hipotecaria Su Casita 2007-2	105
9 Private Sovereign and Sub-Sovereign Transportation Credit	97
10 Deutsche Bank Alt-A Securities Trust 2007-AR3	91
<b>Total Top 10 Below Investment Grade</b>	<b>\$ 1,619</b>
Total BIG Gross Par Outstanding	\$ 4,031
Total MBIA Gross Par Outstanding	\$ 12,565
<b>Total BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding</b>	<b>12.9%</b>
<b>Total BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding</b>	<b>32.1%</b>

(1) MBIA internal ratings are as of the end of the period and determined before giving effect to MBIA's guarantee.

**Net Payment Activity on Second-lien RMBS Exposure**

2018	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Paid Claims <sup>(1)</sup>	\$ 5	\$ 2	\$ 1		\$ 8
Collections on Paid Claims <sup>(2)</sup>	(14)	(15)	(19)		(48)
Paid LAE (net of collections)	2	1	2		5
Net Payments	<u>\$ (7)</u>	<u>\$ (12)</u>	<u>\$ (16)</u>		<u>\$ (35)</u>
<b>2017</b>	<b>1st Qtr.</b>	<b>2nd Qtr.</b>	<b>3rd Qtr.</b>	<b>4th Qtr.</b>	<b>Full Year</b>
Paid Claims <sup>(1)</sup>	\$ 9	\$ 15	\$ 13	\$ 8	\$ 45
Collections on Paid Claims <sup>(2)</sup>	(43)	(11)	(11)	(72)	(137)
Paid LAE (net of collections)	2	(3)	2	2	3
Net Payments	<u>\$ (32)</u>	<u>\$ 1</u>	<u>\$ 4</u>	<u>\$ (62)</u>	<u>\$ (89)</u>
<b>2016</b>	<b>1st Qtr.</b>	<b>2nd Qtr.</b>	<b>3rd Qtr.</b>	<b>4th Qtr.</b>	<b>Full Year</b>
Paid Claims <sup>(1)</sup>	\$ 10	\$ 22	\$ 59	\$ 12	\$ 103
Collections on Paid Claims <sup>(2)</sup>	(20)	(38)	(13)	(12)	(83)
Paid LAE (net of collections)	2	3	3	2	10
Net Payments	<u>\$ (8)</u>	<u>\$ (13)</u>	<u>\$ 49</u>	<u>\$ 2</u>	<u>\$ 30</u>

(1) For a subset of the MBIA Corp.-insured second-lien RMBS transactions, MBIA's gross claim payment is net of excess spread generated by the transaction.

(2) Includes excess spread, subsequent recoveries and proceeds from sales of previously charged-off loans, and mortgage insurance collected by the insured transactions that were paid to MBIA for reimbursements of paid claims. For a subset of the MBIA Corp.-insured transactions, claims reimbursements are paid to MBIA even as MBIA continues to pay claims on the transactions.

MBIA Inc. (Parent Company)

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**MBIA Inc.**  
(in millions)

**Corporate Segment Balance Sheets** <sup>(1)(2)</sup>

	<u>9/30/2018</u>	<u>12/31/2017</u>
<b>Assets:</b>		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$799 and \$674)	\$ 818	\$ 719
Investments carried at fair value (amortized cost \$31 and \$29)	32	30
Investments pledged as collateral, at fair value (amortized cost \$39 and \$156) <sup>(3)</sup>	35	153
Short-term investments held as available-for-sale, at fair value (amortized cost \$68 and \$327)	68	327
Other investments	16	17
Total investments	<u>969</u>	<u>1,246</u>
Cash and cash equivalents	40	10
Other assets	53	56
<b>Total Assets</b>	<b><u>1,062</u></b>	<b><u>1,312</u></b>
<b>Liabilities:</b>		
Investment agreements <sup>(4)</sup>	314	337
Global Funding LLC, Medium-term Notes	738	765
MBIA Inc. Senior Unsecured	846	840
Income taxes <sup>(5)</sup>	124	234
Derivative liabilities	136	193
Other liabilities	64	74
<b>Total Liabilities</b>	<b><u>2,222</u></b>	<b><u>2,443</u></b>
<b>Total Equity</b>	<b>\$ <u>(1,160)</u></b>	<b>\$ <u>(1,131)</u></b>

- (1) In addition to the assets and liabilities included in the Corporate segment, MBIA Inc. has investments in subsidiaries not included in the Corporate segment balance sheets.
- (2) Includes securities at fair value of \$183 million and \$237 million posted to derivative counterparties as of September 30, 2018 and December 31, 2017, respectively.
- (3) Represents assets of the tax escrow under the Company's tax sharing agreement, excluding MBIA Inc. shares.
- (4) Fair value of securities and cash pledged as collateral for investment agreements were \$320 million and \$353 million as of September 30, 2018 and December 31, 2017, respectively.
- (5) Primarily represents tax payments made by National that could be reclaimed by National under the terms of the Company's tax sharing agreement.

**MBIA Inc. (Parent Company)**

**Liquidity Position <sup>(1)(2)(3)</sup>**

(in millions)

2018	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
<b>Beginning Liquidity Position</b>	\$ 419	\$ 419	\$ 389		\$ 419
Total Cash Inflows	24	17	7		48
MTN P&I Payments	23	21	30		74
Debt P&I Payments	8	20	8		36
Contributions to Subsidiaries	-	5	5		10
Other Payments	9	5	7		21
Total Cash Outflows	40	51	50		141
Investment and Other Activity	16	4	19		39
Change in Liquidity Position	-	(30)	(24)		(54)
<b>Ending Liquidity Position</b>	\$ 419	\$ 389	\$ 365		\$ 365

2017	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
<b>Beginning Liquidity Position</b>	\$ 403	\$ 340	\$ 287	\$ 294	\$ 403
Total Cash Inflows	101	2	2	124	229
MTN P&I Payments	69	3	-	106	178
Debt P&I Payments	8	15	8	20	51
Share Repurchases	28	32	-	-	60
Contributions to Subsidiaries	9	11	(5)	(10)	5
Other Payments	9	7	5	12	33
Total Cash Outflows	123	68	8	128	327
Investment and Other Activity	(41)	13	13	129	114
Change in Liquidity Position	(63)	(53)	7	125	16
<b>Ending Liquidity Position</b>	\$ 340	\$ 287	\$ 294	\$ 419	\$ 419

(1) Presented on a direct cash flow basis for transactions settled within the reported periods. Liquidity Position excludes assets that are not readily available for sale, such as pledged assets for investment agreements.

(2) Liquidity Position may include assets with stated maturities greater than 12 months that are deemed to be liquid.

(3) Excludes tax escrow investments held under the tax sharing agreement.

## Glossary

**Adjusted Book Value (ABV):** Adjusted Book Value (“ABV”) per share is a non-GAAP measure. We consider ABV a measure of fundamental value of the Company and the change in ABV an important measure of financial performance. ABV adjusts GAAP book value to remove the legal entity book value of MBIA Corp., but includes all deferred taxes available to the Company. As of June 30, 2017, the Company established a full valuation allowance against its net deferred tax asset which reduced its book value per share. In addition, ABV adjusts for certain items which the Company believes will reverse from GAAP book value through GAAP earnings and other comprehensive income, as well as to add in the impact of certain items which the Company believes will be realized in GAAP book value in future periods. The Company has limited such adjustments to those items that it deems to be important to fundamental value and performance and for which the likelihood and amount can be reasonably estimated. We have presented ABV to allow investors and analysts to evaluate the Company using the same measure that MBIA’s management regularly uses to measure financial performance and value. ABV is not a substitute for and should not be viewed in isolation of GAAP book value, and our definition of ABV may differ from that used by other companies.

ABV per share represents that amount of ABV allocated to each common share outstanding at the measurement date.

**Adjusted Net Income (Loss):** Adjusted Net Income (Loss) is a useful measurement of performance because it measures income from the Company excluding its international and structured finance insurance segment, which is not part of our ongoing business strategy. Also excluded from Adjusted Net Income (Loss) are investment portfolio realized gains and losses, gains and losses on financial instruments at fair value and foreign exchange, and realized gains and losses on extinguishment of debt. Adjusted Net Income (Loss) eliminates the tax provision as a result of establishing a full valuation allowance against the Company’s net deferred tax asset in 2017. Trends in the underlying profitability of the Company’s businesses can be more clearly identified without the fluctuating effects of the excluded items previously noted. Adjusted Net Income (Loss) as defined by the Company does not include all revenues and expenses required by GAAP. Adjusted Net Income (Loss) is not a substitute for and should not be viewed in isolation from GAAP net income.

Adjusted Net Income (Loss) per share (previously referred to as combined operating income (loss) per diluted common share) represents that amount of Adjusted Net Income (Loss) allocated to each fully diluted weighted-average common share outstanding for the measurement period.

**Amortized Cost:** The purchase price of a fixed-maturity security, net of any discount received or premium paid. Amortized cost is adjusted each reporting period to reflect the repayment of principal (par) by the issuer of a security and the accretion of a discount or the amortization of a premium.

**Below Investment Grade (BIG):** Any security rated below BBB- by S&P or Baa3 by Moody’s or bbb- by MBIA.

**Book Yield:** Yield of fixed-maturity investment based upon the purchase price or book value of a bond and the timing of future cash flows. The book yield includes appreciation (depreciation) on current amortized cost amounts for fixed-maturity investments purchased at a discount (premium).

**Capital Ratio:** Net debt service outstanding divided by statutory capital.

**Collateralized Debt Obligations (CDO):** A debt instrument that is secured (collateralized) by a pool of other securities, typically loans and bonds. CDOs can include all types of loans and bonds, including high-yield bonds, emerging market bonds, asset-backed transactions and middle-market bank loans. Collateralized Bond Obligations (CBOs), Collateralized Loan Obligations (CLOs), and Collateralized Mortgage Obligations (CMOs) are types of CDOs.

**Claims-paying Resources (CPR):** CPR is a key measure of the resources available to National and MBIA Corp. to pay claims under their respective insurance policies. CPR consists of total financial resources and reserves calculated on a statutory basis. CPR has been a common measure used by financial guarantee insurance companies to report and compare resources and continues to be used by MBIA’s management to evaluate changes in such resources. The

Company has provided CPR to allow investors and analysts to evaluate National and MBIA Corp. using the same measure that MBIA's management uses to evaluate their resources to pay claims under their respective insurance policies. There is no directly comparable GAAP measure.

**Claims-paying Resources Ratio**: Net debt service outstanding divided by the sum of the capital base, unearned premium reserve (after-tax), present value of installment premiums (after-tax) and gross loss and loss adjustment expense (LAE) reserves.

**Commercial Mortgage Backed Securities (CMBS)**: A type of mortgage-backed security, the word is used to distinguish it from residential mortgage-backed securities (RMBS). Commercial mortgages represent mortgage loans for non-residential properties such as office buildings, retail stores, etc.

**Deferred Acquisition Cost (DAC)**: Deferred acquisition costs include those expenses that relate primarily to, and vary with, the acquisition of new insurance business. The Company periodically conducts a study to determine which operating costs have been incurred to acquire new insurance business and qualify for deferral. For business produced directly by National or MBIA Corp., such costs include compensation of employees involved in underwriting and deferred issuance functions, certain rating agency fees, state premium taxes and certain other underwriting expenses, reduced by ceding commission income on premiums ceded to reinsurers. DAC also include ceding commissions paid by the Company in connection with assuming business from other financial guarantors. DAC, net of ceding commissions received, related to non-derivative insured financial guarantee transactions are deferred and amortized over the period in which the related premiums are earned. Acquisition costs related to insured derivative transactions are expensed as incurred.

**Excess Spread**: A type of internal credit enhancement used in asset securitization that represents the positive difference between the interest rate received on the underlying asset and the coupon rate paid to investors.

**Par Value**: Par Value is the principal (par) amount of the debt. Capital appreciation bonds are reported at the par amount at the time of issuance of the insurance policy.

**Residential Mortgage Backed Securities (RMBS)**: A type of mortgage-backed debt obligation whose cash flows come from residential debt, such as mortgages, home-equity loans and subprime mortgages. A residential mortgage-backed security is comprised of a pool of mortgage loans created by banks and other financial institutions. The cash flows from each of the pooled mortgages is packaged by a special purpose entity into classes and tranches, which then issues securities and can be purchased by investors.

**Variable Interest Entity (VIE)**: A VIE is a legal entity, such as a Special Purpose Entity, trust, limited liability corporation, partnership, or corporation, that has (i) insufficient equity to finance its activities without additional subordinated financing, or (ii) in which the equity holders do not have the power, through voting rights or otherwise, to direct the economic activities or do not absorb losses or receive residual returns of the entity, or (iii) in which the voting rights of some investors are not proportional to their obligation to absorb losses or receive residual returns and substantially all the entity's activities are conducted on behalf of an investor with disproportionately few voting rights. Refer to Controlling Financial Interest.

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