



**national
public finance
guarantee**

Operating Supplement

Fourth Quarter 2012

Safe Harbor Disclosure

This Operating Supplement includes statements that are not historical or current facts and are “forward-looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “intend,” “will likely result,” “looking forward” or “will continue,” and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, including, among other risks and uncertainties, uncertainty regarding whether the Company will realize, or will be delayed in realizing, insurance loss recoveries expected in disputes with sellers/servicers of RMBS transactions at the levels recorded in its financial statements, the possibility that the Company will experience severe losses or liquidity needs due to increased deterioration in its insurance portfolios and in particular, due to the performance of CDOs including multi-sector, CMBS and CRE CDOs and RMBS, failure to obtain regulatory approval to implement our risk reduction and liquidity strategies, the possibility that loss reserve estimates are not adequate to cover potential claims, the risk that MBIA Insurance Corporation will be placed in a rehabilitation or liquidation proceeding by the New York State Department of Financial Services (“NYDFS”); the Company’s ability to access capital and the Company’s exposure to significant fluctuations in liquidity and asset values within the global credit markets, in particular in the ALM business, the Company’s ability to fully implement its strategic plan, including its ability to achieve high stable ratings for National or any other insurance subsidiaries, and the Company’s ability to commute certain of its insured exposures, including as a result of limited available liquidity, the Company’s ability to favorably resolve litigation claims against the Company, and changes in general economic and competitive conditions. These and other factors that could affect financial performance or could cause actual results to differ materially from estimates contained in or underlying the Company’s forward-looking statements are discussed under the “Risk Factors” section in MBIA Inc.’s most recent Annual Report on Form 10-K, which may be updated or amended in the Company’s subsequent filings with the Securities and Exchange Commission. The Company cautions readers not to place undue reliance on any such forward-looking statements, which speak only to their respective dates. The Company undertakes no obligation to publicly correct or update any forward-looking statement if it later becomes aware that such result is not likely to be achieved.

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⁽¹⁾ This report is unaudited.

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

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Net Premiums Earned					
2012					
Financial Guarantee	\$ 106,596	\$ 129,675	\$ 133,633	\$ 121,974	\$ 491,878
Insured Derivatives	105	105	105	100	415
Total	\$ 106,701	\$ 129,780	\$ 133,738	\$ 122,074	\$ 492,293
2011					
Financial Guarantee	\$ 88,887	\$ 105,785	\$ 147,155	\$ 112,260	\$ 454,087
Insured Derivatives	122	1,461	110	166	1,859
Total	\$ 89,009	\$ 107,246	\$ 147,265	\$ 112,426	\$ 455,946
Refundings and Other Accelerations					
2012					
Financial Guarantee	\$ 47,321	\$ 72,688	\$ 82,068	\$ 68,554	\$ 270,631
Insured Derivatives	-	-	42	668	710
Total	\$ 47,321	\$ 72,688	\$ 82,110	\$ 69,222	\$ 271,341
2011					
Financial Guarantee	\$ 12,446	\$ 30,595	\$ 78,751	\$ 49,372	\$ 171,164
Insured Derivatives	-	1,346	-	-	1,346
Total	\$ 12,446	\$ 31,941	\$ 78,751	\$ 49,372	\$ 172,510

⁽¹⁾ Premiums earned differ from amounts reported for National Public Finance Guarantee Corporation due to U.S. public finance policies that were subsequently determined to have refunded prior to the reinsurance agreement with MBIA Insurance Corporation that became effective on 1/1/09. The premiums associated with those refunded issues were returned to MBIA Insurance Corporation.

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

	Ending Gross Par Outstanding	Ending Gross Debt Service Outstanding	Net Unearned Premiums ⁽¹⁾	Expected Future Premium Earnings ⁽¹⁾⁽²⁾				Cash Premiums Collected and Expected ⁽³⁾
				Upfront	Installments	Accretion	Total	
4th Qtr. 2012	\$ 337,114	\$ 530,886	\$ 1,935					6
1st Qtr. 2013	331,412	520,791	1,883	48	4	2	54	2
2nd Qtr. 2013	324,599	510,026	1,832	47	4	2	53	4
3rd Qtr. 2013	313,409	494,173	1,783	45	4	2	51	4
4th Qtr. 2013	305,736	482,603	1,736	43	4	2	49	6
2014	278,709	439,995	1,560	162	14	7	183	17
2015	256,696	403,654	1,401	145	14	7	166	16
2016	238,167	371,677	1,257	131	13	6	150	16
2017	220,414	341,034	1,124	120	13	6	139	16
2018-2022	144,304	213,932	616	449	59	27	535	73
2023-2027	81,652	116,766	304	264	48	20	332	62
2028 and thereafter	-	-	-	207	97	31	335	152
Total				\$ 1,661	\$ 274	\$ 112	\$ 2,047	\$ 374

⁽¹⁾ Includes financial guarantee and insured derivative premiums.

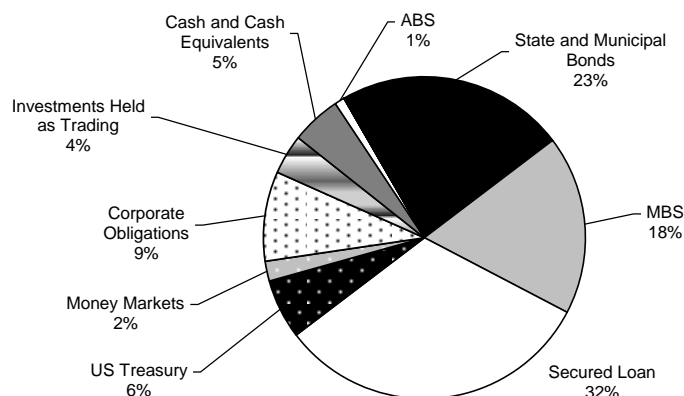
⁽²⁾ Actual future premium earnings will differ from the current projection due to the addition of new business and refundings.

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

U.S. Public Finance Insurance
(primarily National Public Finance Guarantee Corporation)
Investment Portfolio Including Cash and Cash Equivalents and Secured Loan
As of December 31, 2012
(dollars in thousands)

Investments ⁽¹⁾	Market Value	% of Market Value	Amortized Cost	Book Yield
Fixed-Maturity Securities:				
Tax Exempt	\$ 442,821	14%	\$ 416,813	3.98%
Taxable	2,455,771	79	2,378,490	2.98
Short-Term	204,536	7	204,171	1.17
Total Fixed-Maturity	3,103,128	100%	\$ 2,999,474	2.99%
Cash and Cash Equivalents	266,410			
Total Fixed Income Including Cash and Cash Equivalents	3,369,538			
Secured Loan to MBIA Corp. ⁽²⁾	1,651,408			
Investments Held as Trading	186,885			
Other	19,652			
Total	\$ 5,227,483			

Total Investment Portfolio
Including Cash and Cash Equivalents and Secured Loan
Market Value Outstanding \$5,227,483



Effective Maturity Profile		Market Value	% of Market Value	Quality Distribution of Long-Term Fixed-Maturity Securities	
		Value		Market Value Outstanding \$ 2,898,592	
Cash and Cash Equivalents		\$ 266,410	5.3%		
≤ 1 yr		204,536	4.1%		
> 1 to 5 yrs ⁽³⁾		2,100,950	41.8%	Rating	% of Market Value
> 5 to 10 yrs		551,131	11.0%	Aaa	52%
> 10 to 15 yrs		375,852	7.5%	Aa	30
> 15 to 20 yrs		298,592	5.9%	A	13
> 20 yrs		1,223,475	24.4%	Baa	4
Total Fixed Income Including Cash and Cash Equivalents and Secured Loan		\$ 5,020,946	100.0%	BIG	1
					100.0%

Long-Term average maturity: 5.91 years
Duration: 3.75 years

⁽¹⁾ Includes Asset Swap between National and MBIA Inc. with notional amount of \$481 million; the total market value of encumbered assets totals \$502 million.
⁽²⁾ On January 1, 2013, the loan balance increased by \$29 million due to the capitalization of unpaid accrued interest.
⁽³⁾ Includes \$1.651 billion of secured loan due from MBIA Insurance Corp. to National, which matures in December 2016.

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

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

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Gross Loss and LAE Reserves	\$ 215	\$ 197	\$ 179	\$ 182	\$ 215
Beginning Gross Insurance Loss Recoverable	(71)	(72)	(85)	(143)	(71)
Beginning Gross Reserves	144	125	94	39	144
Ceded Reserves	-	-	-	-	-
Net Reserves	144	125	94	39	144
Change in Actual and Expected Payments	(156)	17	54	(4)	(89)
Change in Actual and Expected Salvage	160	(26)	(44)	3	93
Net (Payments), Collections and Other	(23)	(22)	(65)	(26)	(136)
Net Reserves	125	94	39	12	12
Ceded Reserves	-	-	-	-	-
Gross Reserves	125	94	39	12	12
Gross Loss and LAE Reserves	197	179	182	162	162
Gross Insurance Loss Recoverable	\$ (72)	\$ (85)	\$ (143)	\$ (150)	\$ (150)

National Public Finance Guarantee Corporation

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

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

2011	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents ⁽²⁾:	\$ 7	\$ 24	\$ 97	\$ 54	\$ 7
Premiums and Fees ⁽³⁾	2	2	8	(111)	(99)
Net Investment Income	63	56	58	51	228
Other	-	1	-	7	8
Total Inflows	65	59	66	(53)	137
Gross Loss & LAE Payments	22	23	68	46	159
Operating & Other Expenses	29	12	21	31	93
Tax Payments	114	50	30	65	259
Total Outflows	165	85	119	142	511
Operating Cash Flow	(100)	(26)	(53)	(195)	(374)
Financing Activities	(11)	11	11	-	11
Investing Activities	128	88	(1)	258	473
Net Cash Flow	17	73	(43)	63	110
Ending Cash & Cash Equivalents ⁽²⁾:	\$ 24	\$ 97	\$ 54	\$ 117	\$ 117
Other Liquid Assets ⁽⁴⁾	352	236	91	586	586
Ending Liquidity Position	\$ 376	\$ 333	\$ 145	\$ 703	\$ 703

- (1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Ending Liquidity Position excludes assets that are not readily available for sale such as cash & cash equivalents and assets designated to alternative investment strategy portfolios.
- (2) Represents management's view of cash and cash equivalents; will not agree with National's Consolidated GAAP financial results which include other cash & cash equivalents of alternative investment strategies.
- (3) Net of refunded premiums to MBIA Corp. of \$6 million, \$5 million and \$4 million in the first three quarters of 2012 and \$116 million in the fourth quarter of 2011.
- (4) Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

National Public Finance Guarantee Corporation
Statutory Balance Sheets Summary
(dollars in millions)

	12/31/2012	12/31/2011
Assets:		
Cash and Investments	\$ 3,514	\$ 4,130
Secured Loan with MBIA Corp. ⁽¹⁾	1,651	1,130
Asset Swap Facility with MBIA Inc.	481	1,335
Other Assets	80	61
Total Assets	\$ 5,726	\$ 6,656
Liabilities:		
Unearned Premiums	2,041	2,485
Loss and LAE Reserves ⁽²⁾	(109)	(3)
Contingency Reserve	1,249	1,385
Asset Swap Facility	481	1,335
Other Liabilities	65	30
Total Liabilities	3,727	5,232
Total Policyholders' Surplus	1,999	1,424
Total Liabilities and Policyholders' Surplus	\$ 5,726	\$ 6,656

Claims-Paying Resources
(dollars in millions)

Statutory Basis		
	12/31/2012	12/31/2011
Balance Sheet		
Policyholders' Surplus	\$ 1,999	\$ 1,424
Contingency Reserve	1,249	1,385
Statutory Capital	3,248	2,809
Unearned Premium Reserve	2,041	2,485
Present Value of Installment Premiums ⁽²⁾	217	239
Premium Resources ⁽³⁾	2,258	2,724
Net Loss and LAE Reserves ⁽²⁾	(109)	(3)
Salvage Reserve	262	161
Gross Loss and LAE Reserves	153	158
Total Claims-Paying Resources	\$ 5,659	\$ 5,691
Net Debt Service Outstanding	\$ 519,458	\$ 635,653
Capital Ratio	160:1	226:1
Claims-Paying Resources Ratio	107:1	134:1

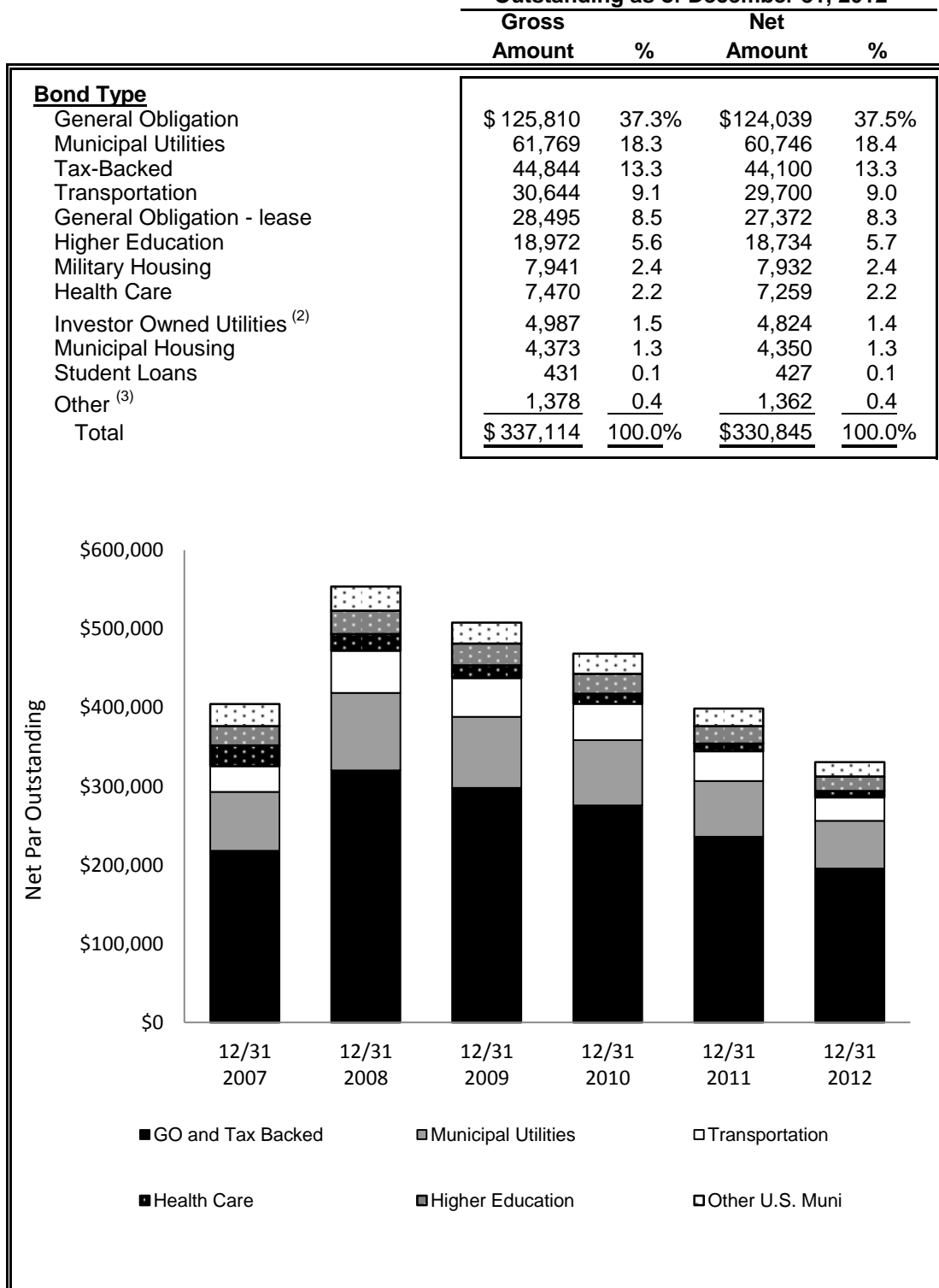
⁽¹⁾ On January 1, 2013, the loan balance increased by \$29 million due to the capitalization of unpaid accrued interest.

⁽²⁾ At December 31, 2012 and December 31, 2011, the discount rate was 4.54% and 4.77%, respectively.

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

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

Outstanding as of December 31, 2012⁽¹⁾



⁽¹⁾ Net of refunded issues and reinsurance; includes \$4.4 billion of reinsurance ceded by FGIC to third parties.

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

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

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

Outstanding as of December 31, 2012 ⁽¹⁾				
	Gross	%	Net	%
	Amount		Amount	
<u>United States</u>				
California	\$ 62,498	18.5%	\$ 61,254	18.5%
New York	31,884	9.5	31,136	9.4
Florida	24,300	7.2	23,979	7.3
Texas	21,295	6.3	21,063	6.4
Illinois	17,246	5.1	16,847	5.1
New Jersey	15,768	4.7	15,610	4.7
Michigan	11,418	3.4	10,988	3.3
Washington	10,290	3.1	10,213	3.1
Pennsylvania	9,506	2.8	9,330	2.8
Massachusetts	7,694	2.3	7,299	2.2
Subtotal	211,899	62.9	207,719	62.8
Other States & Territories	121,810	36.1	119,729	36.2
Nationally Diversified	3,405	1.0	3,397	1.0
Total	\$ 337,114	100.0%	\$ 330,845	100.0%

⁽¹⁾ Net of refunded issues and reinsurance; includes \$4.4 billion of reinsurance ceded by FGIC to third parties.

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

**Insured Portfolio - 50 Largest Credits
Gross Par Outstanding as of December 31, 2012
(dollars in millions)**

	Obligor Name	State	Internal Rating ⁽¹⁾	Gross Par Outstanding
1	California General Obligation	CA	a3	\$ 3,133
2	Massachusetts General Obligation	MA	a1	\$ 2,239
3	New Jersey Transportation Trust Fund Authority	NJ	aa3	\$ 2,235
4	City of Houston Combined Utility System Revenue Bonds	TX	a3	\$ 1,847
5	Wisconsin General Obligation	WI	aa2	\$ 1,811
6	Connecticut General Obligation	CT	a3	\$ 1,810
7	The Port Authority of New York and New Jersey	NY	a1	\$ 1,796
8	Long Island Power Authority Electric	NY	a3	\$ 1,776
9	Puerto Rico Electric Power Authority	PR	bbb1	\$ 1,589
10	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	aa2	\$ 1,579
11	Puerto Rico General Obligation	PR	bbb3	\$ 1,529
12	Chicago General Obligation	IL	a2	\$ 1,502
13	State of Washington General Obligation	WA	aa2	\$ 1,493
14	New York City General Obligation	NY	aa3	\$ 1,476
15	Oregon School Boards Association General Obligation	OR	aa3	\$ 1,466
16	City of Chicago Board of Education	IL	bbb1	\$ 1,429
17	Chicago O'Hare General Airport	IL	a2	\$ 1,426
18	New York State Local Government Assistance Corporation	NY	a2	\$ 1,372
19	Army Hawaii Family Housing	HI	aa2	\$ 1,348
20	Miami-Dade County Airport	FL	a3	\$ 1,294
21	Los Angeles Unified School District General Obligation	CA	aa3	\$ 1,292
22	Clark County School District General Obligation	NV	aa3	\$ 1,243
23	City of Detroit Sewage Disposal System	MI	a2	\$ 1,208
24	Illinois Regional Transportation Authority	IL	aa2	\$ 1,179
25	Pennsylvania General Obligation	PA	aa2	\$ 1,153
26	Triboro Bridge & Tunnel Authority	NY	a1	\$ 1,149
27	New York State Thruway Authority Dedicated Highway & Bridge Trust	NY	aa3	\$ 1,132
28	California State Public Works Board Lease	CA	bbb3	\$ 1,117
29	New York State Lease	NY	aa3	\$ 1,110
30	Florida State General Obligation	FL	aa2	\$ 1,104
31	Metropolitan Washington Airports Authority	DC	aa3	\$ 1,101
32	Camp Pendleton Quantico Housing Privatization	CA	aa2	\$ 1,097
33	Michigan State Building Authority Lease	MI	a1	\$ 1,090
34	Atlanta City Water & Sewer	GA	a3	\$ 1,087
35	Detroit City Water System	MI	a2	\$ 1,084
36	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	aa3	\$ 1,080
37	South Carolina Public Service Authority Santee Cooper Public Power	SC	aa2	\$ 1,053
38	MTA Commuter & Transit Transportation Revenue	NY	a2	\$ 1,051
39	New York City Water	NY	aa2	\$ 1,045
40	State of California Economic Recovery Bonds	CA	a3	\$ 1,038
41	New York State Dormitory State Personal Income Tax	NY	aa2	\$ 1,021
42	San Diego Family Housing Privatization Military	CA	aa1	\$ 1,020
43	Illinois General Obligation	IL	a3	\$ 1,017
44	New York City Transitional Finance Authority Sales Tax	NY	aa2	\$ 1,011
45	Great River Energy Public Power	MN	a3	\$ 992
46	New York State Thruway Authority	NY	a2	\$ 987
47	Honolulu City and County General Obligation	HI	aa3	\$ 955
48	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	\$ 938
49	Louisiana Gasoline & Fuels Tax	LA	aa3	\$ 923
50	Indiana Finance Authority Highway Lease	IN	aa2	\$ 916
		Total		\$ 66,343
				\$ 337,114
		Total Portfolio Exposure		\$ 337,114
		50 Largest Credits Gross Par Outstanding as % of Total Portfolio		19.7%

(1) Internal ratings are provided solely to indicate the underlying credit quality of guaranteed obligations based on the Company's view, before giving effect to the guarantee. They are subject to revision at any time and do not constitute investment advice. The Company's rating symbology has a one-to-one correspondence to the ratings symbologies used by S&P and Moody's (e.g. aa3 = AA- = Aa3, bbb2 = BBB = Baa2, etc.). However, the Company assigns "d" ratings to insured transactions where the transaction is estimated to result in an ultimate loss (net of recoveries) to the Company. Those losses could represent any percentage, up to and including 100%, of the insured exposure.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Credit Quality Distribution ⁽¹⁾
as of December 31, 2012
(dollars in millions)

	Gross Par Outstanding	
	Amount	%
<u>Public Finance</u>		
AAA	\$ 18,518	5.5%
AA	162,504	48.2%
A	122,743	36.4%
BBB	30,496	9.0%
<BBB	2,853	0.9%
Total	\$ 337,114	100.0%

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

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

Obligor Name	Gross Par Outstanding
1 San Joaquin Hills Transportation Corridor Agency Toll Road	\$ 594
2 Harris County-Houston Sports Authority	391
3 Newark Housing Authority/Port Newark	183
4 Capital Projects Fin Auth FL Universities Student Hsg 2000F-1	124
5 AHERF Delaware Valley Obligated Group	118
6 Basketball Properties Ltd Miami Heat	117
7 Detroit City GO	101
8 Jefferson County GO	93
9 Contra Costa County PFA Multiple Proj Areas	79
10 Palm Desert Financing Authority (Housing Set-Aside Tax Allocation Bonds)	76
Total Top 10 BIG Gross Par Outstanding	\$ 1,876
Total BIG Gross Par Outstanding	\$ 2,853
Total National Gross Par Outstanding	\$ 337,114
Total Top 10 BIG Gross Par Outstanding as % of National Gross Par Outstanding	0.6%
Total BIG Gross Par Outstanding as % of National Gross Par Outstanding	0.9%
Total BIG Gross Par Outstanding as % of National Gross Par Outstanding by National ratings	0.6%

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

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