



**national
public finance
guarantee**



Fourth Quarter 2015 Operating Supplement

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(1) This report is unaudited.

Safe Harbor Disclosure

This Operating Supplement includes statements that are not historical or current facts and are “forward- looking statements” made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. The words “believe,” “anticipate,” “project,” “plan,” “expect,” “estimate”, “intend,” “will likely result,” “looking forward” or “will continue,” and similar expressions identify forward-looking statements. These statements are subject to certain risks and uncertainties that could cause actual results to differ materially from historical earnings and those presently anticipated or projected, including, among other risks and uncertainties; increased credit losses or impairments on public finance obligations we insure issued by state, local and territorial governments and finance authorities that are experiencing fiscal stress; the possibility that MBIA Insurance Corporation will have inadequate liquidity to pay expected claims as a result of increased losses on certain structured finance transactions, in particular residential mortgage-backed securities transactions that include a substantial number of ineligible mortgage loans, or a delay or failure in collecting expected recoveries; the possibility that loss reserve estimates are not adequate to cover potential claims; a disruption in the cash flow from our subsidiaries or an inability to access capital and our exposure to significant fluctuations in liquidity and asset values within the global credit markets as a result of collateral posting requirements; our ability to fully implement our strategic plan, including our ability to maintain high stable 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)

	December 31, 2015	December 31, 2014
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost \$3,824 and \$3,545)	\$ 3,767	\$ 3,553
Investments carried at fair value	133	143
Investments pledged as collateral, at fair value (amortized cost \$204 and \$459)	203	458
Short-term investments held as available-for-sale, at fair value (amortized cost \$303 and \$490)	302	490
Other investments (includes investments at fair value of \$9 and \$9)	12	12
Total investments	4,417	4,656
Cash and cash equivalents	51	70
Securities purchased under agreements to resell	199	443
Premiums receivable	198	213
Deferred acquisition costs	206	267
Assets held for sale	-	26
Other assets	51	75
Total assets	\$ 5,122	\$ 5,750
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	\$ 967	\$ 1,269
Loss and loss adjustment expense reserves	45	45
Securities sold under agreements to repurchase	199	443
Deferred income taxes, net	100	152
Other liabilities	81	80
Total liabilities	1,392	1,989
Equity:		
Common stock, par value \$30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,286	2,342
Retained earnings	1,466	1,390
Accumulated other comprehensive income (loss), net of tax of \$20 and \$2	(37)	5
Total shareholder's equity	3,730	3,752
Noncontrolling interest	-	9
Total equity	3,730	3,761
Total liabilities and equity	\$ 5,122	\$ 5,750

National Public Finance Guarantee Corporation and Subsidiaries
Consolidated Statements of Operations
(dollars in millions)

	<u>Three Months Ended</u> <u>December 31,</u>		<u>Twelve Months Ended</u> <u>December 31,</u>	
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
Revenues:				
Premiums earned:				
Scheduled premiums earned	\$ 28	\$ 38	\$ 124	\$ 158
Refunding premiums earned	50	43	179	123
Premiums earned	78	81	303	281
Net investment income	30	29	116	119
Fees, reimbursements and other	1	3	3	9
Change in fair value of insured derivatives:				
Realized gains (losses) and other settlements on insured derivatives	-	-	-	1
Net change in fair value of insured derivatives	-	-	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	10	5	14	26
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(6)	(9)	(99)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	-	5	-	84
Net investment losses related to other-than-temporary impairments	-	(1)	(9)	(15)
Other net realized gains (losses)	-	(3)	(4)	15
Total revenues	119	114	423	436
Expenses:				
Losses and loss adjustment	10	(5)	5	(10)
Amortization of deferred acquisition costs	16	18	65	60
Operating	15	14	62	56
Total expenses	41	27	132	106
Income (loss) before income taxes	78	87	291	330
Provision (benefit) for income taxes	27	25	101	113
Net income (loss)	\$ 51	\$ 62	\$ 190	\$ 217

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

	Three Months Ended December 31, 2015			Twelve Months Ended December 31, 2015		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
Revenues:						
Net premiums earned	\$ 78	\$ -	\$ 78	\$ 304	\$ -	\$ 304
Net investment income	30	-	30	116	-	116
Fees and reimbursements	1	-	1	3	-	3
Net gains (losses) on financial instruments at fair value and foreign exchange	10	11	(1)	14	14	-
Net investment losses related to other-than-temporary impairments	(1)	(1)	-	(10)	(10)	-
Other net realized gains (losses)	-	-	-	(4)	-	(4)
Total revenues	118	10	108	423	4	419
Expenses:						
Losses and loss adjustment	10	-	10	5	-	5
Amortization of deferred acquisition costs	16	-	16	65	-	65
Operating	15	-	15	62	-	62
Total expenses	41	-	41	132	-	132
Income (loss) before income taxes	77	10	67	291	4	287
Provision (benefit) for income	26	3	23	100	1	99
Net income (loss) before minority interest	\$ 51	\$ 7	\$ 44	\$ 191	\$ 3	\$ 188

	Three Months Ended December 31, 2014			Twelve Months Ended December 31, 2014		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
Revenues:						
Net premiums earned	\$ 82	\$ -	\$ 82	\$ 289	\$ -	\$ 289
Net investment income	29	-	29	119	-	119
Fees and reimbursements	2	-	2	9	-	9
Net change in fair value of insured credit derivatives	-	-	-	1	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	6	4	2	26	17	9
other-than-temporary impairments	(1)	(1)	-	(15)	(15)	-
Other net realized gains (losses)	(3)	-	(3)	14	-	14
Total revenues	115	3	112	443	2	441
Expenses:						
Losses and loss adjustment	(5)	-	(5)	(10)	-	(10)
Amortization of deferred acquisition costs	18	-	18	61	-	61
Operating	14	-	14	55	-	55
Total expenses	27	-	27	106	-	106
Income (loss) before income taxes	88	3	85	337	2	335
Provision (benefit) for income	25	(4)	29	115	1	114
Net income (loss) before minority interest	\$ 63	\$ 7	\$ 56	\$ 222	\$ 1	\$ 221

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

Net Premiums Earned ⁽¹⁾⁽²⁾
(dollars in thousands)

	<u>1st</u> <u>Qtr.</u>	<u>2nd</u> <u>Qtr.</u>	<u>3rd</u> <u>Qtr.</u>	<u>4th</u> <u>Qtr.</u>	<u>Full Year</u>
2015					
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
2014					
Scheduled Premiums Earned	\$ 42,544	\$ 39,670	\$ 38,415	\$ 38,407	\$ 159,036
Refunded Premiums Earned	22,461	27,918	35,961	43,346	129,686
Total	\$ 65,005	\$ 67,588	\$ 74,376	\$ 81,753	\$ 288,722

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

(2) Excludes insured derivative premiums.

Rollforward of Gross Premium Receivable ⁽¹⁾
(dollars in thousands)

Premium Receivable as of December 31, 2014	Premium Payments Received	Premium from New Business Written	Changes in Expected Term of Policies	Accretion of Premium Receivable Discount	Other	Premium Receivable as of December 31, 2015
\$213,419	\$(17,798)	\$4,572	\$(7,833)	\$6,078	\$(739)	\$197,699

(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 ⁽¹⁾	Expected Future Premium Earnings ⁽¹⁾⁽²⁾				Cash Premiums Collected and Expected ⁽³⁾
				Upfront	Installments	Accretion	Total	
4th Qtr. 2015	161,017	267,556	970					6
1st Qtr. 2016	157,085	261,189	945	22	3	2	27	2
2nd Qtr. 2016	152,638	254,869	920	22	3	1	26	3
3rd Qtr. 2016	146,115	245,774	896	21	3	2	26	4
4th Qtr. 2016	141,540	239,170	873	20	3	1	24	4
2017	128,130	217,597	787	75	11	6	92	13
2018	118,622	200,906	708	68	11	5	84	13
2019	109,787	185,284	635	62	11	5	78	13
2020	101,254	170,250	569	56	10	5	71	12
2021-2025	64,447	106,953	311	213	45	21	279	57
2026-2030	33,822	57,936	155	118	38	16	172	51
2031-2035	13,961	27,190	70	56	29	11	96	43
2036-2040	6,051	13,439	30	20	20	7	47	35
2041-2045	2,771	5,018	8	9	13	3	25	25
2046-2050	245	785	1	2	5	-	7	8
2051-2055	5	85	-	1	-	-	1	-
2056 and thereafter	-	-	-	-	-	-	-	-
Total				\$765	\$205	\$85	\$1,055	\$289

(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 December 31, 2015
(dollars in millions)

Investments ⁽¹⁾	Market Value	% of Market Value	Amortized Cost	% Book Yield
Fixed-Maturity Securities:				
Long-Term Tax-Exempt	\$ 190	4	\$ 181	5.23
Long-Term Taxable	3,755	88	3,823	3.37
Short-Term	327	8	326	2.19
Total Fixed-Maturity	4,272	100	\$ 4,330	3.36
Cash and Cash Equivalents	52			
Total Fixed Income Including Cash and Cash Equivalents	4,324			
Investments Carried at Fair Value	145			
Total	\$ 4,469			

Fixed Income Portfolio Including Cash and Cash Equivalents

State and Municipal Bonds	\$ 1,384	32
Corporate Obligations	1,098	25
MBS	1,015	24
US Treasury	491	11
ABS	216	5
Money Markets	65	2
Foreign Governments	3	-
Total	\$ 4,324	100

Effective Maturity Profile

Cash and Cash Equivalents	\$ 52	1
≤ 1 yr	327	8
> 1 to 5 yrs	1,092	25
> 5 to 10 yrs	972	23
> 10 to 15 yrs	364	8
> 15 to 20 yrs	289	7
> 20 yrs	1,228	28
Total	\$ 4,324	100

Credit Quality Distribution of Long-Term Fixed-Maturity Securities

Rating ⁽²⁾

Aaa	\$ 1,756	44
Aa	1,158	29
A	744	19
Baa	122	3
BIG	144	4
NR	22	1
	\$ 3,946	100

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 10.43 years

Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 5.73 years

(1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$199 million; the total market value of encumbered assets totals \$203 million.

(2) Ratings as of the end of the period, as last provided by the rating agencies, which may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.

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

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	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 ⁽¹⁾	(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)

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

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

National Public Finance Guarantee Corporation

Liquidity Position ⁽¹⁾

(dollars in millions)

	1st	2nd	3rd	4th	Full Year
2015	Qtr.	Qtr.	Qtr.	Qtr.	
Beginning Cash & Cash Equivalents⁽²⁾	\$ 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
Total Inflows	29	65	29	41	164
Gross Loss & LAE Payments	5	4	3	1	13
Operating & Other Expenses	19	14	15	14	62
Tax Payments	-	56	25	25	106
Total Outflows	24	74	43	40	181
Operating Cash Flow	5	(9)	(14)	1	(17)
Financing Activities	-	-	-	(14)	(14)
Investing Activities	(96)	61	(81)	5	(111)
Net Cash Flow	(91)	52	(95)	(8)	(142)
Ending Cash & Cash Equivalents⁽²⁾	\$ 83	\$ 135	\$ 40	\$ 32	\$ 32
Other Liquid Assets ⁽³⁾	342	294	347	304	304
Ending Liquidity Position	\$ 425	\$ 429	\$ 387	\$ 336	\$ 336

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

(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

	12/31/2015	12/31/2014
Assets:		
Cash and Investments	\$ 4,437	\$ 4,644
Asset Swap Facility with MBIA Inc.	199	443
Other Assets	41	55
Total Assets	\$ 4,677	\$ 5,142
Liabilities:		
Unearned Premiums	1,042	1,375
Loss and LAE Reserves ⁽¹⁾	(30)	(13)
Contingency Reserve	910	1,076
Asset Swap Facility with MBIA Inc.	199	443
Other Liabilities	78	71
Total Liabilities	2,199	2,952
Total Policyholders' Surplus	2,478	2,190
Total Liabilities and Policyholders' Surplus	\$ 4,677	\$ 5,142

Claims-Paying Resources

	12/31/2015	12/31/2014
Balance Sheet		
Policyholders' Surplus	\$ 2,478	\$ 2,190
Contingency Reserve	910	1,076
Statutory Capital	3,388	3,266
Unearned Premium Reserve	1,042	1,375
Present Value of Installment Premiums ⁽¹⁾	197	216
Premium Resources ⁽²⁾	1,239	1,591
Net Loss and LAE Reserves ⁽¹⁾	(30)	(13)
Salvage Reserve	102	106
Gross Loss and LAE Reserves	72	93
Total Claims-Paying Resources	\$ 4,699	\$ 4,950
Net Debt Service Outstanding	\$ 259,436	\$ 352,033
Capital Ratio	77:1	108:1
Claims-Paying Resources Ratio	61:1	80:1

(1) As of December 31, 2015 and 2014, the discount rates were 3.04% and 2.90%, respectively.

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

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

By Geography

Outstanding as of December 31, 2015

	Par Outstanding ^{(1) (2)}				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
United States								
California	\$ 30,768	19.1	\$ 29,972	19.1	\$ 55,298	20.7	\$ 53,735	20.7
New York	15,040	9.3	14,494	9.2	22,776	8.5	21,899	8.5
Florida	10,523	6.5	10,432	6.7	15,176	5.7	15,056	5.8
Illinois	9,562	6.0	9,274	5.9	20,513	7.7	19,819	7.6
Texas	9,350	5.8	9,171	5.9	14,532	5.4	13,848	5.4
New Jersey	8,681	5.4	8,579	5.5	13,754	5.1	13,561	5.2
Michigan	5,561	3.5	5,210	3.3	8,289	3.1	7,681	3.0
Colorado	3,897	2.4	3,870	2.5	6,902	2.6	6,774	2.6
Pennsylvania	3,890	2.4	3,760	2.4	6,440	2.4	6,222	2.4
Massachusetts	3,876	2.4	3,549	2.3	5,782	2.1	5,214	2.0
Subtotal	101,148	62.8	98,311	62.8	169,462	63.3	163,809	63.2
Other States & Territories	56,720	35.2	55,181	35.2	91,004	34.0	88,551	34.1
Nationally Diversified	3,149	2.0	3,142	2.0	7,090	2.7	7,076	2.7
Total	\$ 161,017	100.0	\$ 156,634	100.0	\$ 267,556	100.0	\$ 259,436	100.0

By Bond Type

Outstanding as of December 31, 2015

	Par Outstanding ^{(1) (2)}				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
Bond Type								
General Obligation	\$ 56,069	34.8	\$ 54,737	34.9	\$ 89,382	33.4	\$ 87,006	33.5
Municipal Utilities	27,760	17.2	27,177	17.4	41,804	15.6	40,765	15.7
Tax-Backed	22,250	13.8	21,646	13.8	41,561	15.5	40,203	15.5
Transportation	15,337	9.5	14,778	9.4	28,862	10.8	27,594	10.6
General Obligation - lease	13,968	8.7	13,120	8.4	20,002	7.5	18,670	7.2
Higher Education	8,775	5.5	8,569	5.5	13,491	5.0	13,141	5.1
Military Housing	7,497	4.7	7,488	4.8	17,330	6.5	17,312	6.7
Health Care	4,108	2.6	3,990	2.6	6,637	2.5	6,441	2.5
Investor Owned Utilities ⁽³⁾	3,374	2.1	3,265	2.1	5,417	2.0	5,260	2.0
Municipal Housing	987	0.6	983	0.6	1,545	0.6	1,537	0.6
Other ⁽⁴⁾	892	0.5	881	0.5	1,525	0.6	1,507	0.6
Total	\$ 161,017	100.0	\$ 156,634	100.0	\$ 267,556	100.0	\$ 259,436	100.0

(1) Net of refunded issues and reinsurance.

(2) For exposure classified as Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy.

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

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

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio - 50 Largest Credits
By Gross Par Outstanding as of December 31, 2015
(dollars in millions)

	Obligor Name	State	Internal Rating ⁽¹⁾	Gross Par Outstanding ⁽²⁾	Gross Debt Service Outstanding
1	California General Obligation	CA	a2	\$ 1,921	\$ 2,677
2	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	a3	1,409	2,924
3	Puerto Rico Electric Power Authority	PR	d	1,354	1,994
4	Oregon School Boards Association General Obligation	OR	aa3	1,348	2,406
5	Massachusetts General Obligation	MA	a1	1,334	1,761
6	New Jersey Transportation Trust Fund Authority	NJ	a3	1,265	1,867
7	Long Island Power Authority Electric	NY	a3	1,249	1,675
8	Army Hawaii Family Housing	HI	aa2	1,140	2,475
9	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,067	2,394
10	Illinois Regional Transportation Authority	IL	aa3	1,054	1,626
11	Chicago General Obligation	IL	bbb2	1,037	2,236
12	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,037	1,720
13	City of Detroit Sewage Disposal System	MI	bbb1	1,027	1,712
14	Chicago O'Hare General Airport	IL	a2	1,024	1,568
15	City of Chicago Board of Education	IL	bbb3	998	2,384
16	San Diego Family Housing Privatization Military	CA	aa1	994	2,291
17	Puerto Rico General Obligation	PR	b2	985	1,362
18	Arapahoe County E-470 Toll Road	CO	bbb1	936	2,848
19	New York State Thruway Authority	NY	a2	880	1,265
20	Ohana Military Communities, LLC	HI	aa3	871	2,228
21	Michigan State Building Authority Lease	MI	a1	844	1,486
22	Indiana Finance Authority Highway Lease	IN	aa2	841	1,168
23	New York City General Obligation	NY	aa3	838	1,016
24	Great River Energy Public Power	MN	a3	837	1,339
25	Los Angeles Unified School District General Obligation	CA	a1	811	1,139
26	South Carolina Public Service Authority Santee Cooper Public Power	SC	a1	800	900
27	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	796	1,350
28	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb2	783	1,145
29	Puerto Rico Sales Tax Financing Corporation	PR	a3	684	4,170
30	City of Houston Combined Utility System Revenue Bonds	TX	aa2	670	750
31	San Francisco International Airport	CA	a2	670	852
32	Atlantic Marine Corps Communities LLC 0 Lejeune Cherry Point	NC	aa3	667	1,523
33	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	656	4,973
34	LCOR Alexandria L.L.C. Federal Lease	NC	bbb1	654	1,123
35	District of Columbia General Obligation	DC	aa2	650	1,170
36	Honolulu City & County Sewer	HI	a1	649	1,008
37	Denver City and County Airport System	CO	a1	644	905
38	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	b3	628	1,153
39	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	619	990
40	California State Public Works Board Lease	CA	bbb1	607	766
41	Springfield City Public Utilities Board Combined Utility	MO	aa2	591	619
42	Los Angeles City Municipal Improvement Corporation Lease	CA	a3	582	929
43	JFK International Air Terminal Airport	NY	bbb3	577	775
44	Detroit City Water System	MI	a3	573	842
45	Georgia Municipal Electric Authority	GA	a2	568	691
46	Navy Mid-Atlantic Family Housing LLC	VA	aa2	559	1,234
47	University of California Regents	CA	aa3	551	1,042
48	Metropolitan Transportation Authority Dedicated Tax Fund	NY	aa3	550	899
49	Wisconsin General Obligation	WI	aa2	544	649
50	New York State Power Authority	NY	aa2	537	955
	Total			\$ 42,910	\$ 78,974
	Total Portfolio Exposure			\$ 161,017	\$ 267,556
	50 Largest Credits as % of Total Portfolio			26.6%	29.5%

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

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

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
as of December 31, 2015
(dollars in millions)

Credit Quality Distribution⁽¹⁾

	<u>Gross Par Outstanding</u>		<u>Gross Debt Service Outstanding</u>	
	<u>Amount</u>	<u>%</u>	<u>Amount</u>	<u>%</u>
<u>Public Finance</u>				
AAA	\$ 6,721	4.2%	\$ 9,631	3.6%
AA	77,081	47.9%	119,362	44.6%
A	56,890	35.3%	92,970	34.8%
BBB	13,947	8.6%	31,646	11.8%
<BBB	6,378	4.0%	13,947	5.2%
Total	<u>\$ 161,017</u>	<u>100.0%</u>	<u>\$ 267,556</u>	<u>100.0%</u>

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

<u>Obligor Name</u>	<u>Gross Par Outstanding⁽²⁾</u>	<u>Gross Debt Service Outstanding</u>
1 Puerto Rico Electric Power Authority	\$ 1,354	\$ 1,994
2 City of Chicago Board of Education	998	2,384
3 Puerto Rico General Obligation	985	1,362
4 Puerto Rico Sales Tax Financing Corporation	684	4,170
5 Puerto Rico Highway and Transportation Authority Transportation Revenue	628	1,153
6 Atlantic City Casino Reinvestment Development Authority Parking Fee	177	224
7 Fresno City Pension Obligation	146	222
8 North Las Vegas Water & Sewer	120	190
9 Capital Projects Finance Authority Florida Universities Student Housing 2000F-1	113	170
10 North Las Vegas City General Obligation	104	109
Total Top 10 BIG Outstanding	<u>\$ 5,309</u>	<u>\$ 11,978</u>
Total BIG Outstanding	\$ 6,378	\$ 13,946
Total National Outstanding	\$ 161,017	\$ 267,556
Top 10 BIG as % of National	3.3%	4.5%
Total BIG as % of National	4.0%	5.2%
Total BIG as % of National by National ratings	2.4%	2.3%

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

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

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