MBIA Inc.
Quarterly Operating Supplement
June 30, 2016

Second Quarter 2016

MBIA Inc. and Subsidiaries
Quarterly Operating Supplement [1]

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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.

MBIA Inc. (Consolidated)

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

	June 30, 2016	December 31, 2015
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $5,145 and $5,155)	$ 5,334	$ 5,145
Investments carried at fair value	68	177
Investments pledged as collateral, at fair value (amortized cost $216 and $322)	210	291
Short-term investments held as available-for-sale, at fair value (amortized cost $632 and $720)	632	721
Other investments (includes investments at fair value of $6 and $13)	10	16
Total investments	6,254	6,350
Cash and cash equivalents	568	464
Premiums receivable	716	792
Deferred acquisition costs	147	168
Insurance loss recoverable	365	577
Deferred income taxes, net	966	951
Other assets	231	156
Assets of consolidated variable interest entities:		
Cash	37	58
Investments held-to-maturity, at amortized cost (fair value $509 and $2,401)	890	2,689
Fixed-maturity securities at fair value	281	932
Loans receivable at fair value	1,192	1,292
Loan repurchase commitments	401	396
Other assets	16	11
Total assets	**$ 12,064**	**$ 14,836**
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	$ 1,418	$ 1,591
Loss and loss adjustment expense reserves	546	516
Long-term debt	1,945	1,889
Medium-term notes (includes financial instruments carried at fair value of $161 and $161)	991	1,016
Investment agreements	424	462
Derivative liabilities	378	314
Other liabilities	311	211
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of $1,503 and $2,362)	2,393	5,051
Derivative liabilities	-	45
Total liabilities	**8,406**	**11,095**
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 — 283,487,936 and 281,833,618	284	282
Additional paid-in capital	3,150	3,138
Retained earnings	2,933	3,038
Accumulated other comprehensive income (loss), net of tax of $15 and $51	58	(61)
Treasury stock, at cost — 147,844,413 and 130,303,241 shares	(2,779)	(2,668)
Total shareholders' equity of MBIA Inc.	3,646	3,729
Preferred stock of subsidiary	12	12
Total equity	**3,658**	**3,741**
Total liabilities and equity	**$ 12,064**	**$ 14,836**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Premiums earned:				
Scheduled premiums earned	$ 44	$ 51	$ 89	$ 106
Refunding premiums earned	29	40	59	86
Premiums earned (net of ceded premiums of $2, $2, $3 and $5)	73	91	148	192
Net investment income	37	37	76	74
Fees and reimbursements	1	2	2	3
Change in fair value of insured derivatives:				
Realized gains (losses) and other settlements on insured derivatives	(2)	(3)	(16)	(12)
Unrealized gains (losses) on insured derivatives	(6)	63	(20)	100
Net change in fair value of insured derivatives	(8)	60	(36)	88
Net gains (losses) on financial instruments at fair value and foreign exchange	14	45	(55)	75
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(9)	(1)	(9)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	-	2	-	2
Net investment losses related to other-than-temporary impairments	-	(7)	(1)	(7)
Net gains (losses) on extinguishment of debt	3	(1)	5	(1)
Other net realized gains (losses)	-	(1)	(1)	19
Revenues of consolidated variable interest entities:				
Net investment income	5	13	20	25
Net gains (losses) on financial instruments at fair value and foreign exchange	(7)	6	(8)	(4)
Total revenues	118	245	150	464
Expenses:				
Losses and loss adjustment	77	46	99	40
Amortization of deferred acquisition costs	10	13	20	26
Operating	30	32	65	67
Interest	49	50	99	100
Expenses of consolidated variable interest entities:				
Operating	3	3	7	7
Interest	4	9	16	19
Total expenses	173	153	306	259
Income (loss) before income taxes	(55)	92	(156)	205
Provision (benefit) for income taxes	(28)	28	(51)	72
Net income (loss)	**$ (27)**	**$ 64**	**$ (105)**	**$ 133**
Net income (loss) per common share:				
Basic	$ (0.20)	$ 0.36	$ (0.78)	$ 0.73
Diluted	$ (0.20)	$ 0.36	$ (0.78)	$ 0.72
Weighted average number of common shares outstanding:				
Basic	132,677,066	172,146,651	134,245,952	176,914,777
Diluted	132,677,066	173,154,319	134,245,952	177,918,958

MBIA Inc. and Subsidiaries
Operating Income (Loss) Reconciliation [1] [2]
(dollars in millions except per share amounts)

	Three Months Ended June 30, 2016	Three Months Ended June 30, 2015	Six Months Ended June 30, 2016	Six Months Ended June 30, 2015
Combined				
GAAP consolidated net income (loss)	$ (27)	$ 64	$ (105)	$ 133
Less: Operating Income Adjustments				
Pre-tax income (loss) of Non-Core Segments [3]	(92)	5	(148)	-
Pre-tax adjustments to U.S. Public Finance and Corporate [4]:				
Mark-to-market gains (losses) on financial instruments	(11)	79	(59)	55
Foreign exchange gains (losses)	10	(21)	(18)	44
Net gains (losses) on sales of investments	13	7	19	7
Net investment losses related to OTTI	-	(7)	(1)	(7)
Net gains (losses) on extinguishment of debt	3	(1)	5	(1)
Other net realized gains (losses)	(1)	-	(2)	23
Operating income adjustment for income taxes	36	(17)	68	(41)
Total operating income adjustments, net of tax	(42)	45	(136)	80
Combined Operating Income (loss)	$ 15	$ 19	$ 31	$ 53
Combined Operating Income (loss) per share	$ 0.12	$ 0.11	$ 0.24	$ 0.30
U.S. Public Finance Insurance (National)				
GAAP net income (loss)	$ 50	$ 37	$ 91	$ 94
Less: Operating Income Adjustments				
Net gains (losses) on sales of investments	24	2	30	3
Net investment losses related to OTTI	-	(6)	-	(6)
Operating income adjustment for income taxes	(8)	1	(10)	1
Operating Income (loss)	$ 34	$ 40	$ 71	$ 96
Corporate				
GAAP net income (loss)	$ (20)	$ 23	$ (104)	$ 37
Less: Operating Income Adjustments				
Mark-to-market gains (losses) on financial instruments	(11)	79	(59)	55
Foreign exchange gains (losses)	10	(21)	(18)	44
Net gains (losses) on sales of investments	(11)	5	(11)	4
Net investment losses related to OTTI	-	(1)	(1)	(1)
Net gains (losses) on extinguishment of debt	3	(1)	5	(1)
Other net realized gains (losses)	(1)	-	(2)	23
Operating income adjustment for income taxes	9	(17)	22	(44)
Operating Income (loss)	$ (19)	$ (21)	$ (40)	$ (43)
Diluted Weighted Average Shares Outstanding	133.1	173.2	134.8	177.9

Operating Income (Loss) Trend [1] [2]

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
U.S. Public Finance Insurance (National)	$ 37	$ 34			$ 71
Corporate	(21)	(19)			(40)
Combined	$ 16	$ 15			$ 31

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
U.S. Public Finance Insurance (National)	$ 56	$ 40	$ 48	$ 44	$ 188
Corporate	(22)	(21)	(24)	(34)	(101)
Combined	$ 34	$ 19	$ 24	$ 10	$ 87

(1) A non-GAAP measure; please see glossary for an explanation of Operating Income.
(2) Totals may not add due to rounding.
(3) Non-Core Operations comprises 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.

MBIA Inc. and Subsidiaries
Net Income (Loss) Reconciliation to Combined Operating Income (Loss)
(dollars in millions)

	Three Months Ended June 30, 2016			
	GAAP MBIA Inc. Consolidated	Less: Non-Core Operations & Eliminations [(1)]	Less: Adjustments to Core Operations	Non-GAAP Operating Income
Revenues:				
Net premiums earned	$ 73	$ 17	$ -	$ 56
Net investment income	37	2	-	35
Fees and reimbursements	1	(4)	-	5
Net change in fair value of insured credit derivatives	(8)	(8)	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	14	8	12	(6)
Net gains (losses) on extinguishment of debt	3	-	3	-
Other net realized gains (losses)	-	1	(1)	-
VIE Revenues	(2)	(2)	-	-
Total revenues	118	14	14	90
Expenses:				
Losses and loss adjustment	77	68	-	9
Amortization of deferred acquisition costs	10	(2)	-	12
Operating	30	6	-	24
Interest	49	27	-	22
VIE expenses	7	7	-	-
Total expenses	173	106	-	67
Income (loss) before income taxes	**(55)**	**(92)**	**14**	**23**
Provision (benefit) for income taxes	(28)	(35)	(1)	8
Net income (loss)	**$ (27)**	**$ (57)**	**$ 15**	**$ 15**

	Three Months Ended June 30, 2015			
	GAAP MBIA Inc. Consolidated	Less: Non-Core Operations & Eliminations [(1)]	Less: Adjustments to Core Operations	Non-GAAP Operating Income
Revenues:				
Net premiums earned	$ 91	$ 18	$ -	$ 73
Net investment income	37	1	-	36
Fees and reimbursements	2	(4)	-	6
Net change in fair value of insured credit derivatives	60	60	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	45	(9)	65	(11)
Net investment losses related to other-than-temporary impairments	(7)	-	(7)	-
Net gains (losses) on extinguishment of debt	(1)	-	(1)	-
Other net realized gains (losses)	(1)	-	-	(1)
VIE Revenues	19	19	-	-
Total revenues	245	85	57	103
Expenses:				
Losses and loss adjustment	46	38	-	8
Amortization of deferred acquisition costs	13	(3)	-	16
Operating	32	6	-	26
Interest	50	27	-	23
VIE expenses	12	12	-	-
Total expenses	153	80	-	73
Income (loss) before income taxes	**92**	**5**	**57**	**30**
Provision (benefit) for income taxes	28	1	16	11
Net income (loss)	**$ 64**	**$ 4**	**$ 41**	**$ 19**

(1) Non-Core Operations includes the International and Structured Finance Insurance Segment.

MBIA Inc. and Subsidiaries
Net Income (Loss) Reconciliation to Combined Operating Income (Loss)
(dollars in millions)

	Six Months Ended June 30, 2016			
	GAAP MBIA Inc. Consolidated	Less: Non-Core Operations & Eliminations (1)	Less: Adjustments to Core Operations	Non-GAAP Operating Income
Revenues:				
Net premiums earned	$ 148	$ 34	$ -	$ 114
Net investment income	76	4	-	72
Fees and reimbursements	2	(10)	-	12
Net change in fair value of insured credit derivatives	(36)	(36)	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	(55)	14	(58)	(11)
Net investment losses related to other-than-temporary impairments	(1)	-	(1)	-
Net gains (losses) on extinguishment of debt	5	-	5	-
Other net realized gains (losses)	(1)	1	(2)	-
VIE Revenues	12	12	-	-
Total revenues	150	19	(56)	187
Expenses:				
Losses and loss adjustment	99	81	-	18
Amortization of deferred acquisition costs	20	(4)	-	24
Operating	65	11	-	54
Interest	99	56	-	43
VIE expenses	23	23	-	-
Total expenses	306	167	-	139
Income (loss) before income taxes	**(156)**	**(148)**	**(56)**	**48**
Provision (benefit) for income taxes	(51)	(56)	(12)	17
Net income (loss) before minority interest	**$ (105)**	**$ (92)**	**$ (44)**	**$ 31**

	Six Months Ended June 30, 2015			
	GAAP MBIA Inc. Consolidated	Less: Non-Core Operations & Eliminations (1)	Less: Adjustments to Core Operations	Non-GAAP Operating Income
Revenues:				
Net premiums earned	$ 192	$ 34	$ -	$ 158
Net investment income	74	3	-	71
Fees and reimbursements	3	(10)	-	13
Net change in fair value of insured credit derivatives	88	88	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	75	(14)	106	(17)
Net investment losses related to other-than-temporary impairments	(7)	-	(7)	-
Net gains (losses) on extinguishment of debt	(1)	-	(1)	-
Other net realized gains (losses)	19	-	23	(4)
VIE Revenues	21	21	-	-
Total revenues	464	122	121	221
Expenses:				
Losses and loss adjustment	40	38	-	2
Amortization of deferred acquisition costs	26	(8)	-	34
Operating	67	12	-	55
Interest	100	54	-	46
VIE expenses	26	26	-	-
Total expenses	259	122	-	137
Income (loss) before income taxes	**205**	**-**	**121**	**84**
Provision (benefit) for income taxes	72	(2)	43	31
Net income (loss) before minority interest	**$ 133**	**$ 2**	**$ 78**	**$ 53**

(1) Non-Core Operations includes the International and Structured Finance Insurance Segment.

MBIA Inc. and Subsidiaries

Adjusted Book Value (1)

	6/30/2016	12/31/2015
Reported Book Value	$ 26.88	$ 24.61
Reverse book value of International and Structured Finance Insurance segment (2)	3.12	1.61
Reverse net unrealized (gains) losses included in OCI	(1.21)	0.34
Add net unearned premium revenue (3) (4)	4.97	5.02
Add tax impact effect on unrealized (gains) losses and unearned premium revenue	(1.34)	(1.89)
Adjusted Book Value	**$ 32.42**	**$ 29.69**
Shares Outstanding	135.6	151.5

(1) A non-GAAP measure; please see glossary for an explanation of ABV. Includes deferred tax assets for consolidated MBIA Inc.
(2) The book value for the International and Structured Finance segment does not provide significant economic or shareholder value to MBIA Inc. Amounts are net of any deferred taxes available to MBIA Inc.
(3) The discount rate on financial guarantee installment premiums was the risk-free rate as defined by GAAP for financial guarantee insurance contracts.
(4) The amounts consist of financial guarantee premiums, net of their deferred acquisition costs.

U.S. Public Finance Insurance Segment

(primarily National Public Finance Guarantee Corporation)

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

	June 30, 2016	December 31, 2015
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $3,903 and $3,824)	$ 3,993	$ 3,767
Investments carried at fair value	46	133
Investments pledged as collateral, at fair value (amortized cost $134 and $204)	135	203
Short-term investments held as available-for-sale, at fair value (amortized cost $184 and $303)	184	302
Other investments (includes investments at fair value of $4 and $9)	7	12
Total investments	4,365	4,417
Cash and cash equivalents	313	51
Securities purchased under agreements to resell	132	199
Premiums receivable	194	198
Deferred acquisition costs	184	206
Receivable for investments sold	101	6
Other assets	43	45
Total assets	**$ 5,332**	**$ 5,122**
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	$ 858	$ 967
Loss and loss adjustment expense reserves	58	45
Securities sold under agreements to repurchase	132	199
Deferred income taxes, net	151	100
Payable for investments purchased	147	36
Other liabilities	34	45
Total liabilities	**1,380**	**1,392**
Equity:		
Common stock, par value $30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,321	2,286
Retained earnings	1,556	1,466
Accumulated other comprehensive income (loss), net of tax of $32 and $20	60	(37)
Total equity	**3,952**	**3,730**
Total liabilities and equity	**$ 5,332**	**$ 5,122**

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	2015	2016	2015
Revenues:				
Premiums earned:				
Scheduled premiums earned	$ 27	$ 33	$ 53	$ 68
Refunding premiums earned	28	40	60	90
Premiums earned	55	73	113	158
Net investment income	29	27	60	56
Fees and reimbursements	-	1	1	2
Net gains (losses) on financial instruments at fair value and foreign exchange	25	-	34	3
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(9)	-	(9)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	-	3	-	3
Net investment losses related to other-than-temporary impairments	-	(6)	-	(6)
Other net realized gains (losses)	-	-	-	(4)
Total revenues	109	95	208	209
Expenses:				
Losses and loss adjustment	9	8	18	2
Amortization of deferred acquisition costs	12	16	24	34
Operating	15	14	30	30
Total expenses	36	38	72	66
Income (loss) before income taxes	73	57	136	143
Provision (benefit) for income taxes	24	19	46	49
Net income (loss)	**$ 49**	**$ 38**	**$ 90**	**$ 94**

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

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	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	$ 56	$ -	$ 56	$ 114	$ -	$ 114
Net investment income	30	-	30	61	-	61
Fees and reimbursements	-	-	-	1	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	25	24	1	34	30	4
Total revenues	111	24	87	210	30	180
Expenses:						
Losses and loss adjustment	9	-	9	18	-	18
Amortization of deferred acquisition costs	12	-	12	24	-	24
Operating	15	-	15	30	-	30
Total expenses	36	-	36	72	-	72
Income (loss) before income taxes	**75**	**24**	**51**	**138**	**30**	**108**
Provision (benefit) for income taxes	25	8	17	47	10	37
Net income (loss)	**$ 50**	**$ 16**	**$ 34**	**$ 91**	**$ 20**	**$ 71**

	Three Months Ended June 30, 2015			Six Months Ended June 30, 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	$ 73	$ -	$ 73	$ 158	$ -	$ 158
Net investment income	28	-	28	57	-	57
Fees and reimbursements	-	-	-	1	-	1
Net gains (losses) on financial instruments at fair value and foreign exchange	-	2	(2)	3	3	-
other-than-temporary impairments	(6)	(6)	-	(6)	(6)	-
Other net realized gains (losses)	-	-	-	(4)	-	(4)
Total revenues	95	(4)	99	209	(3)	212
Expenses:						
Losses and loss adjustment	8	-	8	2	-	2
Amortization of deferred acquisition costs	16	-	16	34	-	34
Operating	14	-	14	30	-	30
Total expenses	38	-	38	66	-	66
Income (loss) before income taxes	**57**	**(4)**	**61**	**143**	**(3)**	**146**
Provision (benefit) for income taxes	20	(1)	21	49	(1)	50
Net income (loss)	**$ 37**	**$ (3)**	**$ 40**	**$ 94**	**$ (2)**	**$ 96**

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

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

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
2016					
Scheduled Premiums Earned	$ 26,100	$ 27,002			53,102
Refunded Premiums Earned	32,085	29,076			61,161
Total	$ 58,185	$ 56,078			$ 114,263
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

(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, 2015	Premium Payments Received	Premium from New Business Written	Changes in Expected Term of Policies	Accretion of Premium Receivable Discount	Other	Premium Receivable as of June 30, 2016
$197,699	$(8,050)	$2,918	$(1,201)	$2,920	$19	$194,305

(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)] Upfront	Installments	Accretion	Total	Cash Premiums Collected and Expected [(3)]
2nd Qtr. 2016	138,477	233,197	860					5
3rd Qtr. 2016	131,550	223,896	838	19	3	1	23	4
4th Qtr. 2016	126,976	217,439	816	19	3	1	23	4
2017	113,116	196,118	735	70	11	6	87	13
2018	104,541	181,071	662	62	11	5	78	13
2019	96,645	167,049	596	56	10	5	71	12
2020	89,077	153,596	535	51	10	5	66	12
2021-2025	57,038	97,440	296	194	45	21	260	56
2026-2030	30,309	53,693	151	108	37	16	161	50
2031-2035	13,119	26,236	71	52	28	11	91	43
2036-2040	5,939	13,315	30	20	21	6	47	35
2041-2045	2,768	5,015	7	9	14	3	26	25
2046-2050	245	785	1	2	4	-	6	8
2051-2055	5	85	-	1	-	-	1	-
2056 and thereafter	-	-	-	-	-	-	-	-
Total				$663	$197	$80	$940	$275

(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 June 30, 2016
(dollars in millions)

Investments [1]		**Market Value**	**% of Market Value**		**Amortized Cost**	**% Book Yield**
Fixed-Maturity Securities:						
Long-Term Tax-Exempt [2]	$	349	8	$	328	5.32
Long-Term Taxable		3,779	88		3,709	3.32
Short-Term [3]		184	4		184	1.24
Total Fixed-Maturity		4,312	100	$	4,221	3.38
Cash and Cash Equivalents		314				
Total Fixed Income Including Cash and Cash Equivalents		4,626				
Investments Carried at Fair Value		46				
Other		7				
Total	$	4,679				

Fixed Income Portfolio Including Cash and Cash Equivalents

State and Municipal Bonds	$	1,459	32
Corporate Obligations		1,223	26
MBS		980	21
US Treasury		370	8
Cash and Cash Equivalents		314	7
ABS		277	6
Foreign Governments		3	-
Total	$	4,626	100

Effective Maturity Profile

Cash and Cash Equivalents	$	314	7
≤ 1 yr		184	4
> 1 to 5 yrs		1,261	27
> 5 to 10 yrs		970	21
> 10 to 15 yrs		336	7
> 15 to 20 yrs		298	7
> 20 yrs		1,263	27
Total	$	4,626	100

Credit Quality Distribution of Long-Term Fixed-Maturity Securities

Rating [4]			
Aaa	$	1,754	42
Aa		1,170	28
A		741	18
Baa		143	4
BIG		149	4
NR		171	4
	$	4,128	100

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 10.67 years
Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 5.47 years

(1) Includes Asset Swap between National and MBIA Inc. with notional amount of $132 million; the total market value of encumbered assets totals $135 million.
(2) Includes $139 million of Puerto Rico Electric Power Authority bonds (uninsured) and $126 million of Puerto Rico Sales Tax Finance Corporation bonds (insured by National) at fair value.
(3) Includes $438 thousand of Puerto Rico Municipal Finance Agency bonds (insured by Assured Guaranty Municipal Corp.) at fair value.
(4) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.

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

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Gross Loss and LAE Reserves	$ 45	$ 52			$ 45
Beginning Gross Insurance Loss Recoverable	(4)	(3)			(4)
Beginning Gross Reserves	41	49			41
Ceded Reserves	-	-			-
Net Reserves	41	49			41
Increase (Decrease) in Expected Payments	19	9			28
(Increase) Decrease in Expected Salvage	(10)	-			(10)
Net (Payments), Collections and Other (1)	(1)	(2)			(3)
Net Reserves	49	56			56
Ceded Reserves	-	-			-
Gross Reserves	49	56			56
Gross Loss and LAE Reserves	52	58			58
Gross Insurance Loss Recoverable	$ (3)	$ (2)			$ (2)

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)

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

National Public Finance Guarantee Corporation

Liquidity Position (1)

(dollars in millions)

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Cash & Cash Equivalents(2)	**$ 32**	**$ 27**			**$ 32**
Premiums and Fees	5	2			7
Net Investment Income	21	32			53
Other	1	2			3
Total Inflows	27	36			63
Gross Loss & LAE Payments	5	2			7
Operating & Other Expenses	18	14			32
Tax Payments	-	20			20
Total Outflows	23	36			59
Operating Cash Flow	4	-			4
Investing Activities	(9)	261			252
Net Cash Flow	(5)	261			256
Ending Cash & Cash Equivalents(2)	**$ 27**	**$ 288**			**$ 288**
Other Liquid Assets(3)	317	153			153
Ending Liquidity Position	**$ 344**	**$ 441**			**$ 441**

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
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**

(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

	6/30/2016	12/31/2015
Assets:		
Cash and Investments	$ 4,581	$ 4,437
Asset Swap Facility with MBIA Inc.	132	199
Other Assets	41	41
Total Assets	$ 4,754	$ 4,677
Liabilities:		
Unearned Premiums	924	1,042
Loss and LAE Reserves (1)	21	(30)
Contingency Reserve	845	910
Asset Swap Facility with MBIA Inc.	132	199
Other Liabilities	180	78
Total Liabilities	2,102	2,199
Total Policyholders' Surplus	2,652	2,478
Total Liabilities and Policyholders' Surplus	$ 4,754	$ 4,677

Claims-Paying Resources

	6/30/2016	12/31/2015
Balance Sheet		
Policyholders' Surplus	$ 2,652	$ 2,478
Contingency Reserve	845	910
Statutory Capital	3,497	3,388
Unearned Premium Reserve	924	1,042
Present Value of Installment Premiums (1)	194	197
Premium Resources (2)	1,118	1,239
Net Loss and LAE Reserves (1)	21	(30)
Salvage Reserve	101	102
Gross Loss and LAE Reserves	122	72
Total Claims-Paying Resources	$ 4,737	$ 4,699
Net Debt Service Outstanding	$ 225,511	$ 259,436
Capital Ratio	64:1	77:1
Claims-Paying Resources Ratio	52:1	61:1

(1) As of June 30, 2016 and December 31, 2015, the discount rate was 3.04%.
(2) The amounts primarily consist of financial guarantee insurance premiums.

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

By Geography

	Outstanding as of June 30, 2016							
	Par Outstanding (1) (2)				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
United States								
California	$ 27,560	19.9	$ 26,811	20.0	$ 50,072	21.5	$ 48,591	21.4
New York	12,933	9.3	12,429	9.2	19,487	8.3	18,672	8.3
Florida	9,197	6.6	9,110	6.8	12,970	5.6	12,857	5.7
New Jersey	7,831	5.7	7,734	5.8	12,319	5.3	12,140	5.4
Illinois	7,306	5.3	7,026	5.2	17,121	7.3	16,448	7.3
Texas	7,286	5.3	7,110	5.3	11,645	5.0	10,968	4.9
Michigan	4,331	3.1	3,982	3.0	6,431	2.8	5,832	2.6
Puerto Rico	3,860	2.8	3,777	2.8	8,942	3.8	8,821	3.9
Massachusetts	3,674	2.6	3,354	2.5	5,436	2.3	4,886	2.2
Colorado	3,557	2.6	3,531	2.6	6,449	2.8	6,321	2.8
Subtotal	87,535	63.2	84,864	63.2	150,872	64.7	145,536	64.5
Other States & Territories	47,814	34.5	46,395	34.5	75,348	32.3	73,011	32.4
Nationally Diversified	3,128	2.3	3,121	2.3	6,977	3.0	6,964	3.1
Total	$ 138,477	100.0	$ 134,380	100.0	$ 233,197	100.0	$ 225,511	100.0

By Bond Type

	Outstanding as of June 30, 2016							
	Par Outstanding (1) (2)				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
Bond Type								
General Obligation	$ 47,620	34.4	$ 46,397	34.5	$ 77,543	33.3	$ 75,324	33.4
Municipal Utilities	23,499	17.0	22,926	17.1	34,956	15.0	33,942	15.1
Tax-Backed	19,658	14.2	19,127	14.2	37,511	16.1	36,243	16.1
Transportation	13,073	9.4	12,558	9.3	25,069	10.8	23,874	10.6
General Obligation - lease	12,287	8.9	11,447	8.5	17,408	7.5	16,102	7.1
Military Housing	7,456	5.4	7,447	5.6	17,077	7.3	17,059	7.6
Higher Education	7,048	5.1	6,845	5.1	10,869	4.7	10,527	4.7
Health Care	3,742	2.7	3,628	2.7	6,069	2.6	5,879	2.6
Investor Owned Utilities(3)	2,603	1.9	2,531	1.9	4,220	1.8	4,109	1.8
Municipal Housing	617	0.4	612	0.5	998	0.4	991	0.4
Other(4)	874	0.6	862	0.6	1,477	0.5	1,461	0.6
Total	$ 138,477	100.0	$ 134,380	100.0	$ 233,197	100.0	$ 225,511	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 June 30, 2016
(dollars in millions)

	Obligor Name	State	Internal Rating (1)	Gross Par Outstanding (2)	Gross Debt Service Outstanding
1	California General Obligation	CA	a1	$ 1,760	$ 2,438
2	Puerto Rico Electric Power Authority	PR	d	1,354	1,960
3	New Jersey Economic Development Authority State Pension Obligation Lease	NJ	a3	1,348	2,631
4	Massachusetts General Obligation	MA	a1	1,322	1,714
5	Oregon School Boards Association General Obligation	OR	aa3	1,307	2,290
6	New Jersey Transportation Trust Fund Authority	NJ	a3	1,265	1,835
7	Long Island Power Authority Electric	NY	a3	1,222	1,618
8	Army Hawaii Family Housing	HI	aa2	1,135	2,441
9	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,061	2,358
10	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,037	1,695
11	Illinois Regional Transportation Authority	IL	aa3	1,036	1,576
12	Chicago General Obligation	IL	bbb2	989	2,107
13	San Diego Family Housing Privatization Military	CA	aa1	989	2,256
14	Puerto Rico General Obligation	PR	d	985	1,378
15	City of Chicago Board of Education	IL	bbb3	918	2,286
16	Arapahoe County E-470 Toll Road	CO	bbb1	910	2,815
17	Ohana Military Communities, LLC	HI	aa3	863	2,197
18	Michigan State Building Authority Lease	MI	a1	844	1,474
19	New York State Thruway Authority	NY	a2	841	1,206
20	Indiana Finance Authority Highway Lease	IN	aa2	841	1,148
21	Great River Energy Public Power	MN	a3	837	1,313
22	City of Detroit Sewage Disposal System	MI	bbb1	820	1,304
23	Los Angeles Unified School District General Obligation	CA	a1	811	1,120
24	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	796	1,333
25	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb2	783	1,127
26	New York City General Obligation	NY	aa3	703	853
27	Puerto Rico Sales Tax Financing Corporation	PR	a3	684	4,170
28	Atlantic Marine Corps Communities LLC 0 Lejeune Cherry Point	NC	aa3	664	1,501
29	Honolulu City & County Sewer	HI	a1	649	852
30	LCOR Alexandria L.L.C. Federal Lease	NC	bbb1	645	1,092
31	Denver City and County Airport System	CO	a1	644	888
32	District of Columbia General Obligation	DC	aa2	642	1,147
33	Illinois Metropolitan Pier & Exposition Authority	IL	bbb2	637	4,899
34	Puerto Rico Highway and Transportation Authority Transportation Revenue	PR	d	628	1,137
35	Massachusetts Special Obligation Dedicated Tax Hotel/Motel	MA	a2	598	953
36	Springfield City Public Utilities Board Combined Utility	MO	aa2	588	602
37	JFK International Air Terminal Airport	NY	bbb3	577	758
38	Navy Mid-Atlantic Family Housing LLC	VA	aa2	556	1,216
39	University of California Regents	CA	aa3	545	1,023
40	New York State Power Authority	NY	aa2	537	941
41	City of Houston Combined Utility System Revenue Bonds	TX	a2	526	565
42	Alameda Corridor Transportation Authority Port Rev	CA	a3	523	1,519
43	The Port Authority of New York and New Jersey	NY	a1	522	810
44	Hudson Yards Infrastructure Corporation	NY	a3	500	1,198
45	Florida State Department of Transportation Turnpike	FL	aa3	495	528
46	Miami-Dade County Airport	FL	a3	492	948
47	MTA Commuter & Transit Transportation Revenue	NY	a2	484	805
48	New York State Lease	NY	a2	479	593
49	Toll Road Investors Partnership II L.P. Dulles Greenway Project	VA	bbb3	466	3,659
50	Illinois General Obligation	IL	bbb1	466	664
		Total		$ 40,324	$ 78,941
		Total Portfolio Exposure		**$** 138,477	**$** 233,197
		50 Largest Credits as % of Total Portfolio		29.1%	33.9%

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

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

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

Credit Quality Distribution[1]

	Gross Par Outstanding		Gross Debt Service Outstanding	
	Amount	%	Amount	%
Public Finance				
AAA	$ 6,551	4.7%	$ 9,213	4.0%
AA	65,029	47.0%	102,159	43.8%
A	47,184	34.1%	77,402	33.2%
BBB	13,463	9.7%	30,607	13.1%
<BBB	6,250	4.5%	13,816	5.9%
Total	$ 138,477	100.0%	$ 233,197	100.0%

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

	Obligor Name	Gross Par Outstanding [2]	Gross Debt Service Outstanding
1	Puerto Rico Electric Power Authority	1,354	1,960
2	Puerto Rico General Obligation	985	1,378
3	City of Chicago Board of Education	918	2,286
4	Puerto Rico Sales Tax Financing Corporation	684	4,170
5	Puerto Rico Highway and Transportation Authority Transportation Revenue	628	1,137
6	Atlantic City Casino Reinvestment Development Authority Parking Fee	160	201
7	Philadelphia School District GO	147	247
8	Fresno City Pension Obligation	139	211
9	North Las Vegas Water & Sewer	120	187
10	Capital Projects Finance Authority Florida Universities Student Housing 2000F-1	113	167
	Total Top 10 BIG Outstanding	$ 5,248	$ 11,944
	Total BIG Outstanding	$ 6,250	$ 13,816
	Total National Outstanding	$ 138,477	$ 233,197
	Top 10 BIG as % of National	**3.8%**	**5.1%**
	Total BIG as % of National	**4.5%**	**5.9%**
	Total BIG as % of National by National ratings	**2.8%**	**2.6%**

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

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

International and Structured Finance Insurance Segment

(MBIA Insurance Corporation and Subsidiaries)

MBIA Insurance Corporation
Statutory Balance Sheets
(dollars in millions)

	June 30, 2016	December 31, 2015
Assets		
Bonds	$ 91	$ 93
Cash and short-term investments	311	299
Investment in MBIA UK	338	389
Investment in MBIA Mexico	10	11
Total investments	750	792
Interest and dividends accrued	1	1
Other assets	2	4
Total other assets	3	5
Total assets	**$ 753**	**$ 797**
Liabilities		
Unearned premiums	$ 230	$ 229
Contingency reserve	265	276
Loss and LAE reserve (1)	(246)	(331)
Accrued expenses	5	4
Other liabilities	9	10
Total liabilities	**263**	**188**
Capital and Surplus		
Common stock	15	15
Preferred stock	276	276
Surplus Notes	953	953
Paid in Capital	783	783
Unassigned surplus	(1,537)	(1,418)
Total capital and surplus	**490**	**609**
Total liabilities and capital and surplus	**$ 753**	**$ 797**

(1) As of June 30, 2016 and December 31, 2015, the discount rate was 5.18%.

MBIA Insurance Corporation (excluding subsidiaries)
Statutory Statements of Income
(dollars in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2016	**2015**	**2016**	**2015**
Underwriting income				
Gross premiums written	$ 21	$ 28	$ 35	$ 47
Ceded premiums written	(4)	(5)	(5)	(7)
Net premiums written	17	23	30	40
Net premiums earned	20	26	39	50
Losses and LAE incurred	60	69	120	88
Underwriting expenses incurred	7	5	13	13
Net underwriting loss	(47)	(48)	(94)	(51)
Investment income				
Net investment gain	1	1	2	1
Net realized gain (loss)	(1)	-	(1)	(2)
Net investment gain (loss)	-	1	1	(1)
Other income (expense)				
Non-operating income (expense)	(2)	1	(11)	9
Income (loss) before taxes	(49)	(46)	(104)	(43)
Income tax provision	-	1	-	-
Net income (loss)	**$ (49)**	**$ (47)**	**$ (104)**	**$ (43)**

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

Amortization of Gross Par, Gross Debt Service and Net Unearned Premium and Future Premiums (1)

	Ending Gross Par Outstanding (2)	Ending Gross Debt Service Outstanding (2)	Net Unearned Premiums (3)	Expected Premium Earnings (3)(4)	Estimated Cash Receivable (5)	Total
2nd Qtr. 2016	$ 34,926	$ 50,192	$ 347			
3rd Qtr. 2016	33,894	48,753	330	$ 17	$ 6	$ 23
4th Qtr. 2016	31,822	46,266	318	12	12	24
2017	28,311	41,227	294	24	61	85
2018	26,229	37,755	278	16	55	71
2019	24,260	34,501	260	18	51	69
2020	21,823	30,885	235	25	50	75
2021-2025	12,906	17,803	119	116	195	311
2026-2030	7,798	10,304	58	61	134	195
2031 and thereafter	-	-	-	58	93	151
Total				$ 347	$ 657	$ 1,004

(1) Includes MBIA UK Insurance Corporation premiums.
(2) Excludes $27 million and $34 million of gross par and gross debt service, respectively, where MBIA Corp's insured exposure has been fully offset by way of loss remediation transactions.
(3) Statutory accounting basis.
(4) Actual future premium earnings will differ from the current projection due to the addition of new business, changes in prepayment speeds, settlements and terminations.
(5) Undiscounted, based on the Company's estimate of the remaining life for its insured exposures.

Net Cash Premiums Collected and Expected (1)

	MBIA Insurance Corporation (2)	Subsidiaries of MBIA Corp.	MBIA Insurance Corporation Including Subsidiaries
2nd Qtr. 2016	$ 14	$ 15	$ 29
3rd Qtr. 2016	8	7	15
4th Qtr. 2016	14	3	17
2017	37	25	62
2018	31	25	56
2019	26	25	51
2020	23	24	47
2021-2025	88	104	192
2026-2030	52	76	128
2031 and thereafter	38	51	89
Total Future Premiums	$ 317	$ 340	$ 657

(1) Represents installment-based future undiscounted collections net of amounts to be ceded to reinsurers.
(2) Based on the Company's estimate of the remaining life for its insured exposures.

MBIA Insurance Corporation
Investment Portfolio Including Cash and Cash Equivalents
as of June 30, 2016
(dollars in millions)

Statutory Accounting Basis

Investments		Amortized Cost	% Book Yield		Market Value	% of Market Value
Bonds						
Long-Term Tax-Exempt(2)	$	21	5.24	$	28	13
Long-Term Taxable		70	5.03		78	37
Short-Term		104	0.41		104	50
Total Fixed-Maturity		195	2.59	$	210	100
Cash and Cash Equivalents		207				
Total Fixed Income Including Cash and Cash Equivalents		402				
Common Stocks(1)		348				
Total	$	750				

Fixed Income Portfolio			% of Amortized Cost
Cash and Cash Equivalents	$	207	51
US Treasury		111	28
State and Municipal Bonds(2)		69	17
MBS		11	3
Corporate Obligations		4	1
Total	$	402	100

Effective Maturity Profile of Fixed Income			
Cash and Cash Equivalents	$	207	51
≤ 1 yr		104	26
> 1 to 5 yrs		18	5
> 5 to 10 yrs (2)		13	3
> 10 to 15 yrs		-	-
> 15 to 20 yrs		15	4
> 20 yrs		45	11
Total	$	402	100

Credit Quality Distribution of Long-Term Bonds

Rating(3)			
Aaa	$	18	20
Aa		49	54
A		12	13
C(2)		12	13
	$	91	100

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 4.85 years

Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 2.95 years

(1) Represents investment in wholly-owned insurance subsidiaries MBIA UK Limited and MBIA Mexico carried at statutory equity basis, subject to limits ascribed by New York State Insurance law.
(2) Includes $521 thousand of Puerto Rico Sales Tax Finance Corporation bonds (uninsured), a NAIC designated 6 security, carried at market value.
(3) Ratings are as of the end of the period, as last provided by the rating agencies and may be out-of-date. Ratings are derived using the Moody's Priority Method; where Moody's underlying rating is used, when available, S&P's underlying rating is used if the Moody's underlying rating is not available and an internal underlying rating is used for MBIA wrapped investments if neither Moody's nor S&P's underlying ratings are available.

MBIA Insurance Corporation (excluding Subsidiaries)

Liquidity Position (1)

(dollars in millions)

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Cash & Cash Equivalents (2)	$ 257	$ 50			$ 257
Premiums and Fees	39	20			59
Net Investment Income	1	-			1
Other	24	43			67
Total Inflows	64	63			127
Gross Loss & LAE Payments	41	45			86
Operating & Other Expenses	10	7			17
Total Outflows	51	52			103
Operating Cash Flow	13	11			24
Investing Activities	(220)	140			(80)
Net Cash Flow	(207)	151			(56)
Ending Cash & Cash Equivalents (2)	$ 50	$ 201			$ 201
Other Liquid Assets (3)	228	87			87
Ending Liquidity Position	$ 278	$ 288			$ 288

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents (2)	$ 432	$ 386	$ 324	$ 343	$ 432
Premiums and Fees	6	31	19	28	84
Net Investment Income	-	-	-	3	3
Other	33	29	24	39	125
Total Inflows	39	60	43	70	212
Gross Loss & LAE Payments	42	34	56	176	308
Operating & Other Expenses	19	18	12	18	67
Total Outflows	61	52	68	194	375
Operating Cash Flow	(22)	8	(25)	(124)	(163)
Investing Activities	(24)	(70)	44	38	(12)
Net Cash Flow	(46)	(62)	19	(86)	(175)
Ending Cash & Cash Equivalents (2)	$ 386	$ 324	$ 343	$ 257	$ 257
Other Liquid Assets (3)	29	88	56	7	7
Ending Liquidity Position	$ 415	$ 412	$ 399	$ 264	$ 264

(1) Presented on a direct cash flow basis for transactions settled within the reporting periods. Ending Liquidity Position excludes short-term assets of branches and subsidiaries, which are not readily available to MBIA Insurance Corporation.
(2) Reported for NY operations of MBIA Corp.
(3) Includes other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

MBIA Insurance Corporation (excluding Subsidiaries)
(dollars in millions)

Summary of Statutory Loss and LAE Reserves (excluding Subsidiaries)

	As of 6/30/2016			
		Salvage		
	Case	Put-Backs	Other	Net
First-Lien Mortgage	$ 216	$ -	$ (38)	$ 178
Second-Lien Mortgage	75	(403)	(344)	(672)
CDO	362	-	(138)	224
Other	31	-	(7)	24
Total	$ 684	$ (403)	$ (527)	$ (246)

Claims-Paying Resources

	Including Subsidiaries		Stand-alone	
	6/30/2016	12/31/2015	6/30/2016	12/31/2015
Balance Sheet				
Policyholders' Surplus	$ 490	$ 609	$ 490	$ 609
Contingency Reserve	265	276	265	276
Statutory Capital (1)	755	885	755	885
Unearned Premium Reserve	347	356	230	229
Present Value of Installment Premiums (2)	461	520	229	256
Premium Resources (3)	808	876	459	485
Net Loss and LAE Reserves (2)	(246)	(332)	(246)	(331)
Salvage Reserve	930	994	930	992
Gross Loss and LAE Reserves	684	662	684	661
Total Claims-Paying Resources	$ 2,247	$ 2,423	$ 1,898	$ 2,031
Net Debt Service Outstanding	$ 48,899	$ 57,682	$ 28,731	$ 35,199
Capital Ratio	65:1	65:1	38:1	40:1
Claims-Paying Resources Ratio	25:1	27:1	17:1	19:1

(1) Excludes the non-admitted portion of MBIA UK's ending equity of $108 million and $75 million, as of June 30, 2016 and December 31, 2015, respectively.
(2) As of June 30, 2016 and December 31, 2015, the discount rate was 5.18%.
(3) The amounts consist of Financial Guarantee insurance premiums and Insured Credit Derivative revenue.

International and Structured Finance Insurance
(MBIA Insurance Corporation and Subsidiaries)
Insured Portfolio Profile
(dollars in millions)

Par Value by Bond Type

	Outstanding as of June 30, 2016[1] [2] [3] [4]			
	Gross	%	Net	%
Public Finance: Non-United States				
Sovereign and Sub-Sovereign [5]	$ 8,201	23.5	$ 7,985	23.5
International Utilities	6,992	20.0	6,882	20.2
Transportation	5,672	16.3	5,361	15.7
Local Governments [6]	132	0.4	131	0.4
Tax-Backed	80	0.2	80	0.2
Total Non-United States Public Finance	$ 21,077	60.4	$ 20,439	60.0
Structured Finance - Global				
Mortgage Backed Residential	$ 5,460	15.6	$ 5,445	16.0
Corporate Asset Backed [8]	3,593	10.3	3,448	10.1
Collateralized Debt Obligations [7]	3,398	9.7	3,391	10.0
Consumer Asset Backed	1,011	2.9	959	2.8
Mortgage Backed Commercial	387	1.1	374	1.1
Total Global Structured Finance	13,849	39.6	13,617	40.0
Grand Total	$ 34,926	100.0	$ 34,056	100.0

Par Value by Geography

	Outstanding as of June 30, 2016			
	Gross	%	Net	%
United States	$ 12,631	36.2	$ 12,482	36.7
United Kingdom	11,821	33.9	11,633	34.2
Australia	2,339	6.7	2,339	6.9
Chile	2,062	5.9	1,751	5.1
Canada	1,342	3.8	1,340	3.9
France	1,308	3.7	1,306	3.8
Mexico	1,063	3.0	924	2.7
Spain	643	1.8	636	1.9
Malaysia	350	1.0	350	1.0
New Zealand	249	0.7	249	0.7
Ireland	199	0.6	199	0.6
Subtotal	$ 21,376	61.1	$ 20,727	60.8
Other	475	1.4	472	1.4
Internationally Diversified	444	1.3	375	1.1
Total Non-United States	22,295	63.8	21,574	63.3
Total	$ 34,926	100.0	$ 34,056	100.0

(1) Net of refunded issues, reinsurance and other contractual agreements.
(2) Excludes $1.4 billion relating to investment agreements and medium term notes issued by various affiliated companies and guaranteed by MBIA Insurance Corporation.
(3) Includes consolidated insured Variable Interest Entities (VIEs) and insured Credit Derivatives.
(4) Excludes $27 million of gross and net par where MBIA Corp.'s insured exposure has been fully offset by way of loss remediation transactions.
(5) Includes Regions, Departments or their equivalent in each jurisdiction as well as sovereign owned entities that are supported by a Sovereign State, Region or Department.
(6) Includes municipal-owned entities backed by the sponsoring local government.
(7) Includes transactions (represented by structured pools of primarily investment grade corporate credit risks or commercial real estate assets) that do not include typical CDO structuring characteristics, cash flow waterfalls, or interest and over-collateralization coverage tests.
(8) Includes $1.5 billion of structured insurance securitizations.

International and Structured Finance Insurance
(MBIA Insurance Corporation and Subsidiaries)
Insured Portfolio Profile
(dollars in millions)

Top 10 Below Investment Grade (BIG) Credits (1)

	Obligor Name		Gross Par Outstanding
1	HY CDO 23	$	772
2	Structured Insurance Securitization Private 13-16		575
3	Coventry and Rugby Hospital Company plc		571
4	GMACM 2006-HE4		272
5	Private Sovereign and Sub-Sovereign Transportation Credit		236
6	Countrywide Home Equity Series 2007-S1/Second Lien RMBS		215
7	Other Corporate Asset Backed Private 66		215
8	Structured CMBS Pool 28		214
9	Countrywide Home Equity Master Trust Series 2006-S10		199
10	Private Sovereign and Sub-Sovereign Transportation Credit		199
	Total Top 10 Below Investment Grade	$	3,468
	Total BIG Gross Par Outstanding	$	8,380
	Total MBIA Gross Par Outstanding	$	34,926
	Top 10 BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding		**9.9%**
	Total BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding		**24.0%**

(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

2016		**1st Qtr.**		**2nd Qtr.**		**3rd Qtr.**		**4th Qtr.**		**Year-to-date**
Paid Claims (1)	$	10	$	22					$	32
Collections on Paid Claims (2)		(20)		(38)						(58)
Paid LAE (net of collections)		2		3						5
Net Payments	$	(8)	$	(13)					$	(21)

2015		**1st Qtr.**		**2nd Qtr.**		**3rd Qtr.**		**4th Qtr.**		**Full Year**
Paid Claims (1)	$	16	$	13	$	18	$	7	$	54
Collections on Paid Claims (2)		(27)		(20)		(22)		(19)		(88)
Paid LAE (net of collections)		1		4		5		4		14
Net Payments	$	(10)	$	(3)	$	1	$	(8)	$	(20)

2014		**1st Qtr.**		**2nd Qtr.**		**3rd Qtr.**		**4th Qtr.**		**Full Year**
Paid Claims (1)	$	31	$	27	$	4	$	13	$	75
Collections on Paid Claims (2)		(17)		(46)		(26)		(26)		(115)
Paid LAE (net of collections)		15		3		4		6		28
Net Payments	$	29	$	(16)	$	(18)	$	(7)	$	(12)

(1) For a subset of the MBIA-insured second-lien RMBS transactions, MBIA's gross claim payment is net of excess spread generated by the transaction.
(2) Includes excess spread and mortgage insurance collected by the insured transactions that were paid to MBIA for reimbursements of paid claims. For a subset of the MBIA-insured transactions, claims reimbursements are paid to MBIA even as MBIA continues to pay claims on the transactions.

MBIA Insurance Corporation[1]
Historical Exposure Outstanding and Statutory Loss Payments and Recoveries
(dollars in millions)

	2012	2013	2014	2015	Year-to-date 2016
Gross Par Outstanding (end of period)[2]					
Second-Lien RMBS	$ 6,550	$ 5,295	$ 4,476	$ 3,629	$ 3,233
Other[3]	105,823	75,104	50,712	38,015	31,693
Total	$ 112,373	$ 80,399	$ 55,188	$ 41,644	$ 34,926
Gross Loss Payments					
Second-Lien RMBS	$ 507	$ 252	$ 75	$ 54	$ 32
Other[3] [4]	685	1,802	566	237	55
Total Gross Loss Payments	$ 1,192	$ 2,054	$ 641	$ 291	$ 87
Recoveries received					
Second-Lien RMBS	$ 27	$ 3,773	$ 115	$ 88	$ 58
Other[3] [5]	194	179	66	14	11
Total Recoveries	$ 221	$ 3,952	$ 181	$ 102	$ 69
Net Loss Payments / (Recoveries)					
Second-Lien RMBS	$ 480	$ (3,521)	$ (40)	$ (34)	$ (26)
Other[3]	491	1,623	500	223	44
Total Net Loss Payments	$ 971	$ (1,898)	$ 460	$ 189	$ 18

(1) Table excludes loss adjustment expense and includes MBIA UK Limited payments that are excluded from MBIA Insurance Corporation's Statutory filings because MBIA Insurance Corporation's ownership of MBIA UK Limited is presented on an equity basis.
(2) Excludes exposure related to U.S. Public Finance.
(3) Includes all MBIA Insurance Corporation and Subsidiaries insured policies excluding second-lien transactions.
(4) Includes gross claim payments related to U.S. Public Finance transactions made on behalf of National totaling $137 million, $135 million, $19 million, $2 million and $1 million for 2012, 2013, 2014, 2015 and 2016, respectively.
(5) Includes full recoveries of gross loss payments made by MBIA Corp. on behalf of National totaling $137 million, $135 million, $19 million, $2 million and $1 million for 2012, 2013, 2014, 2015 and 2016, respectively, in addition to recoveries from third-party reinsurers.

MBIA Inc. (Parent Company)

MBIA Inc.

(dollars in millions)

Corporate Segment Balance Sheets [1]

	6/30/2016	12/31/2015
Assets:		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $744 and $740) [2]	$ 831	$ 792
Investments carried at fair value (amortized cost $27 and $49)	26	48
Investments pledged as collateral, at fair value (amortized cost $224 and $330) [3]	215	296
Short-term investments held as available-for-sale, at fair value (amortized cost $115 and $293)	115	293
Other investments	18	20
Total investments	1,205	1,449
Cash and cash equivalents	94	43
Deferred income taxes, net	1,079	1,058
Other assets	34	49
Total Assets	**2,412**	**2,599**
Liabilities:		
Investment agreements	424	462
Global Funding LLC, Medium-term Notes	991	1,016
MBIA Inc. Senior Unsecured	711	711
Income taxes [4]	646	588
Derivative liabilities [5]	250	209
Other liabilities [6]	62	93
Total Liabilities	**3,084**	**3,079**
Total Equity	**$ (672)**	**$ (480)**

(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 in the amounts of $311 million and $259 million posted to derivative counterparties as of June 30, 2016 and December 31, 2015, respectively.

(3) Represents a portion of the tax escrow account under the Company's tax sharing agreement.

(4) Represents cumulative cash receipts (net of refunds) which are to be paid in accordance with the Company's tax sharing agreement when MBIA Insurance Corporation has taxable earnings.

(5) Amounts are net of cash collateral posted of $52 million and $31 million as of June 30, 2016 and December 31, 2015, respectively.

(6) Includes cash collateral netted against accrued interest on derivative liabilities of $19 million as of June 30, 2016 and December 31, 2015.

Corporate

Net Income (Loss) Reconciliation to Operating Income (Loss)

(dollars in millions)

	Three Months Ended June 30, 2016			Six Months Ended June 30, 2016		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
Revenues:						
Net Investment income	$ 7	$ -	$ 7	$ 15	$ -	$ 15
Fees and reimbursements	11	-	11	24	-	24
Net gains (losses) on financial instruments at fair value and foreign exchange	(19)	(12)	(7)	(103)	(88)	(15)
Net investment losses related to other-than-temporary impairments	-	-	-	(1)	(1)	-
Net gains (losses) on extinguishment of debt	3	3	-	5	5	-
Other net realized gains (losses)	(1)	(1)	-	(2)	(2)	-
Total revenues	1	(10)	11	(62)	(86)	24
Expenses:						
Operating	15	-	15	37	-	37
Interest	24	-	24	47	-	47
Total expenses	39	-	39	84	-	84
Income (loss) before income taxes	**(38)**	**(10)**	**(28)**	**(146)**	**(86)**	**(60)**
Provision (benefit) for income taxes	(18)	(9)	(9)	(42)	(22)	(20)
Net income (loss)	**$ (20)**	**$ (1)**	**$ (19)**	**$ (104)**	**$ (64)**	**$ (40)**

	Three Months Ended June 30, 2015			Six Months Ended June 30, 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 Investment income	$ 10	$ -	$ 10	$ 18	$ -	$ 18
Fees and reimbursements	13	-	13	26	-	26
Net gains (losses) on financial instruments at fair value and foreign exchange	54	63	(9)	86	103	(17)
Net investment losses related to other-than-temporary impairments	(1)	(1)	-	(1)	(1)	-
Net gains (losses) on extinguishment of debt	(1)	(1)	-	(1)	(1)	-
Other net realized gains (losses)	(1)	-	(1)	23	23	-
Total revenues	74	61	13	151	124	27
Expenses:						
Operating	19	-	19	39	-	39
Interest	25	-	25	50	-	50
Total expenses	44	-	44	89	-	89
Income (loss) before income taxes	**30**	**61**	**(31)**	**62**	**124**	**(62)**
Provision (benefit) for income taxes	7	17	(10)	25	44	(19)
Net income (loss)	**$ 23**	**$ 44**	**$ (21)**	**$ 37**	**$ 80**	**$ (43)**

MBIA Inc. (Parent Company)

Liquidity Position (1)(2)(3)

(dollars in millions)

2016	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Liquidity Position	**$ 416**	**$ 371**			**$ 416**
Total Cash Inflows	110	16			126
Operating & Other Expenses	9	6			15
MTN P&I Payments	2	56			58
Debt P&I Payments	8	20			28
Share Repurchases	97	9			106
Contributions to Subsidiaries	45	5			50
Total Cash Outflows	161	96			257
Investment and Other Activity	6	4			10
Change in Liquidity Position	(45)	(76)			(121)
Ending Liquidity Position	**$ 371**	**$ 295**			**$ 295**

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Liquidity Position	**$ 498**	**$ 567**	**$ 497**	**$ 306**	**$ 498**
Total Cash Inflows	275	4	33	21	333
Operating & Other Expenses	12	2	7	6	27
MTN P&I Payments	31	38	55	2	126
Debt P&I Payments	19	15	8	15	57
Share Repurchases	75	32	123	3	233
Contributions to Subsidiaries	57	-	20	12	89
Total Cash Outflows	194	87	213	38	532
Investment and Other Activity	(12)	13	(11)	127	117
Change in Liquidity Position	69	(70)	(191)	110	(82)
Ending Liquidity Position	**$ 567**	**$ 497**	**$ 306**	**$ 416**	**$ 416**

(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.
Liquidity Positions shown for prior periods are lower than earlier reported Liquidity Positions for the same periods, as the definition of Liquidity Position has been modified to exclude certain assets that were previously included in Liquidity Position.

(2) Liquidity Position consists of cash and other liquid assets with expected maturities less than 12 months deemed to be liquid but not included in cash and cash equivalents. Excludes funds placed in escrow until the expiration of National's two-year net operating loss that are not readily available for sale, such as pledged assets for investment agreements.

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

MBIA Inc.
Securities Buyback Activity (1)
(dollars in millions)

2016	1st Qtr Cost	1st Qtr Gain/ Value	2nd Qtr. Cost	2nd Qtr. Gain/ Value	3rd Qtr. Cost	3rd Qtr. Gain/ Value	4th Qtr. Cost	4th Qtr. Gain/ Value	Year-to-date Cost	Year-to-date Gain/ Value
Common Stock Repurchases (2)	$ 93.7	$ 378.8	$ 11.8	$ 42.5					$ 105.5	$ 421.3
Debt										
MBIA Inc. Senior Unsecured	-	-	-	-					-	-
MBIA GFL MTNs(3)	0.3	-	1.8	0.1					2.1	0.1
Investment Agreements	4.3	2.0	6.0	2.6					10.3	4.6
MBIA Inc. (Consolidated)	$ 98.3	$ 380.8	$ 19.6	$ 45.2					$ 117.9	$ 426.0

2015	1st Qtr Cost	1st Qtr Gain/ Value	2nd Qtr. Cost	2nd Qtr. Gain/ Value	3rd Qtr. Cost	3rd Qtr. Gain/ Value	4th Qtr. Cost	4th Qtr. Gain/ Value	Full Year Cost	Full Year Gain/ Value
Common Stock Repurchases (2)	$ 75.6	$ 145.3	$ 101.6	$ 211.7	$ 119.9	$ 434.7	$ 6.3	$ 22.4	$ 303.4	$ 814.1
Debt										
MBIA Inc. Senior Unsecured	10.0	(0.5)	-	(0.1)	-	-	-	-	10.0	(0.6)
MBIA GFL MTNs(3)	26.4	0.2	10.2	(0.2)	3.2	0.1	-	-	39.8	0.1
Investment Agreements	-	-	-	-	-	-	-	-	-	-
MBIA Inc. (Consolidated)	$ 112.0	$ 145.0	$ 111.8	$ 211.4	$ 123.1	$ 434.8	$ 6.3	$ 22.4	$ 353.2	$ 813.6

(1) Presented on a cash settlement rather than trade date basis, except where noted.

(2) Presented on a trade date basis. Gains calculated based on cost versus adjusted book value.

(3) Global Funding LLC.

Glossary

Adjusted Book Value (ABV): Adjusted Book Value ("ABV"), a non-GAAP measure, is used by the Company to supplement its analysis of GAAP book value. The Company uses ABV as a measure of fundamental value and considers the change in ABV an important measure of periodic financial performance. ABV adjusts GAAP book value by removing the GAAP book value amounts for items that are not expected to impact shareholder value and 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 which the likelihood and amount can be reasonably estimated. ABV assumes no new business activity. The Company has 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. ABV is not a substitute for and should not be viewed in isolation from GAAP book value.

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

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 Fitch and 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.

Combined Operating Income: The sum of Operating Income of U.S. Public Finance Insurance (National) and Corporate Segments net of eliminations. See "Operating Income" definition.

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.

Operating Income: Operating Income is a useful measurement of performance because it measures income from our core operating segments, unaffected by 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. Operating Income also excludes net income of our non-core operating segments. Our non-core segments include the activities of our international and structured finance insurance, advisory services and conduit segments. Our Combined Operating Income represents the operating income of our U.S. Public Finance Insurance segment and our Corporate segment. Trends in the underlying profitability of the Company's businesses can be more clearly identified without the fluctuating effects of the excluded items noted above. Operating Income is disclosed on an after-tax basis and adjustments to net income are typically tax-effected at 35% unless a specific adjustment, or component thereof, is not taxable. Operating Income as defined by MBIA does not include all revenues and expenses required by GAAP.

Operating Income per share represents that amount of Operating Income allocated to each fully diluted weighted-average common share outstanding for the measurement period.

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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