MBIA Inc.
Quarterly Operating Supplement
September 30, 2016

Third Quarter 2016

MBIA Inc. and Subsidiaries
Quarterly Operating Supplement [1]

[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)

	September 30, 2016	December 31, 2015
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $5,131 and $5,155)	$ 5,295	$ 5,145
Investments carried at fair value	73	177
Investments pledged as collateral, at fair value (amortized cost $231 and $322)	227	291
Short-term investments held as available-for-sale, at fair value (amortized cost $756 and $720)	756	721
Other investments (includes investments at fair value of $6 and $13)	9	16
Total investments	6,360	6,350
Cash and cash equivalents	191	464
Premiums receivable	707	792
Deferred acquisition costs	137	168
Insurance loss recoverable	528	577
Deferred income taxes, net	963	951
Other assets	143	156
Assets of consolidated variable interest entities:		
Cash	25	58
Investments held-to-maturity, at amortized cost (fair value $573 and $2,401)	890	2,689
Fixed-maturity securities at fair value	270	932
Loans receivable at fair value	1,142	1,292
Loan repurchase commitments	404	396
Other assets	27	11
Total assets	**$ 11,787**	**$ 14,836**
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	$ 1,344	$ 1,591
Loss and loss adjustment expense reserves	513	516
Long-term debt	1,975	1,889
Medium-term notes (includes financial instruments carried at fair value of $106 and $161)	932	1,016
Investment agreements	418	462
Derivative liabilities	383	314
Other liabilities	229	211
Liabilities of consolidated variable interest entities:		
Variable interest entity notes (includes financial instruments carried at fair value of $1,433 and $2,362)	2,323	5,051
Derivative liabilities	-	45
Total liabilities	**8,117**	**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 — 283,529,999 and 281,833,618	284	282
Additional paid-in capital	3,153	3,138
Retained earnings	2,965	3,038
Accumulated other comprehensive income (loss), net of tax of $2 and $51	35	(61)
Treasury stock, at cost — 147,806,592 and 130,303,241 shares	(2,779)	(2,668)
Total shareholders' equity of MBIA Inc.	3,658	3,729
Preferred stock of subsidiary	12	12
Total equity	**3,670**	**3,741**
Total liabilities and equity	**$ 11,787**	**$ 14,836**

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenues:				
Premiums earned:				
Scheduled premiums earned	$ 42	$ 47	$ 131	$ 153
Refunding premiums earned	35	37	94	123
Premiums earned (net of ceded premiums of $2, $2, $5 and $7)	77	84	225	276
Net investment income	39	38	115	112
Fees and reimbursements	22	1	24	4
Change in fair value of insured derivatives:				
Realized gains (losses) and other settlements on insured derivatives	(4)	(18)	(20)	(30)
Unrealized gains (losses) on insured derivatives	20	21	-	121
Net change in fair value of insured derivatives	16	3	(20)	91
Net gains (losses) on financial instruments at fair value and foreign exchange	38	(55)	(17)	20
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	(1)	(1)	(10)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	-	(2)	-	-
Net investment losses related to other-than-temporary impairments	-	(3)	(1)	(10)
Net gains (losses) on extinguishment of debt	-	-	5	(1)
Other net realized gains (losses)	(2)	(1)	(3)	18
Revenues of consolidated variable interest entities:				
Net investment income	5	12	25	37
Net gains (losses) on financial instruments at fair value and foreign exchange	8	13	-	9
Total revenues	203	92	353	556
Expenses:				
Losses and loss adjustment	50	39	149	79
Amortization of deferred acquisition costs	10	11	30	37
Operating	32	35	97	102
Interest	49	49	148	149
Expenses of consolidated variable interest entities:				
Operating	3	3	10	10
Interest	4	10	20	29
Total expenses	148	147	454	406
Income (loss) before income taxes	55	(55)	(101)	150
Provision (benefit) for income taxes	24	(20)	(28)	52
Net income (loss)	**$ 31**	**$ (35)**	**$ (73)**	**$ 98**
Net income (loss) per common share:				
Basic	$ 0.23	$ (0.23)	$ (0.55)	$ 0.56
Diluted	$ 0.23	$ (0.23)	$ (0.55)	$ 0.55
Weighted average number of common shares outstanding:				
Basic	131,633,411	155,239,723	133,368,752	169,610,370
Diluted	132,042,067	155,239,723	133,368,752	170,566,386

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Combined				
GAAP consolidated net income (loss)	$ 31	$ (35)	$ (73)	$ 98
Less: Operating Income Adjustments				
Pre-tax income (loss) of Non-Core Operations [3]	12	(58)	(136)	(58)
Pre-tax adjustments to U.S. Public Finance and Corporate [4]:				
Mark-to-market gains (losses) on financial instruments	10	(32)	(50)	23
Foreign exchange gains (losses)	(6)	1	(24)	44
Net gains (losses) on sales of investments	32	-	51	7
Net investment losses related to OTTI	-	(3)	(1)	(10)
Net gains (losses) on extinguishment of debt	-	-	5	(1)
Other net realized gains (losses)	(2)	(1)	(4)	22
Operating income adjustment for income taxes	(20)	34	50	(6)
Total operating income adjustments, net of tax	26	(59)	(109)	21
Combined Operating Income (loss)	$ 5	$ 24	$ 36	$ 77
Combined Operating Income (loss) per share	$ 0.04	$ 0.15	$ 0.28	$ 0.45
U.S. Public Finance Insurance (National)				
GAAP net income (loss)	$ 44	$ 46	$ 135	$ 140
Less: Operating Income Adjustments				
Net gains (losses) on sales of investments	31	-	61	3
Net investment losses related to OTTI	-	(3)	-	(9)
Operating income adjustment for income taxes	(11)	1	(21)	2
Operating Income (loss)	$ 24	$ 48	$ 95	$ 144
Corporate				
GAAP net income (loss)	$ (15)	$ (43)	$ (119)	$ (6)
Less: Operating Income Adjustments				
Mark-to-market gains (losses) on financial instruments	10	(32)	(50)	23
Foreign exchange gains (losses)	(6)	1	(24)	44
Net gains (losses) on sales of investments	1	-	(10)	4
Net investment losses related to OTTI	-	-	(1)	(1)
Net gains (losses) on extinguishment of debt	-	-	5	(1)
Other net realized gains (losses)	(2)	(1)	(4)	22
Operating income adjustment for income taxes	1	13	24	(30)
Operating Income (loss)	$ (19)	$ (24)	$ (59)	$ (67)
Diluted Weighted Average Shares Outstanding	132.0	156.1	133.9	170.6

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	$ 24		$ 95
Corporate	(21)	(19)	(19)		(59)
Combined	$ 16	$ 15	$ 5		$ 36

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 September 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	$ 77	$ 17	$ -	$ 60
Net investment income	39	2	-	37
Fees and reimbursements	22	16	-	6
Net change in fair value of insured credit derivatives	16	16	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	38	9	36	(7)
Other net realized gains (losses)	(2)	-	(2)	-
VIE Revenues	13	13	-	-
Total revenues	203	73	34	96
Expenses:				
Losses and loss adjustment	50	22	-	28
Amortization of deferred acquisition costs	10	(2)	-	12
Operating	32	6	-	26
Interest	49	28	-	21
VIE expenses	7	7	-	-
Total expenses	148	61	-	87
Income (loss) before income taxes	**55**	**12**	**34**	**9**
Provision (benefit) for income taxes	24	10	10	4
Net income (loss)	**$ 31**	**$ 2**	**$ 24**	**$ 5**

	Three Months Ended September 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	$ 84	$ 16	$ -	$ 68
Net investment income	38	3	-	35
Fees and reimbursements	1	(6)	-	7
Net change in fair value of insured credit derivatives	3	3	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	(55)	(11)	(31)	(13)
Net investment losses related to other-than-temporary impairments	(3)	-	(3)	-
Other net realized gains (losses)	(1)	-	(1)	-
VIE Revenues	25	25	-	-
Total revenues	92	30	(35)	97
Expenses:				
Losses and loss adjustment	39	46	-	(7)
Amortization of deferred acquisition costs	11	(4)	-	15
Operating	35	6	-	29
Interest	49	27	-	22
VIE expenses	13	13	-	-
Total expenses	147	88	-	59
Income (loss) before income taxes	**(55)**	**(58)**	**(35)**	**38**
Provision (benefit) for income taxes	(20)	(20)	(14)	14
Net income (loss)	**$ (35)**	**$ (38)**	**$ (21)**	**$ 24**

(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)

	Nine Months Ended September 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	$ 225	$ 51	$ -	$ 174
Net investment income	115	6	-	109
Fees and reimbursements	24	6	-	18
Net change in fair value of insured credit derivatives	(20)	(20)	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	(17)	23	(23)	(17)
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)	(3)	1	(4)	-
VIE Revenues	25	25	-	-
Total revenues	353	92	(23)	284
Expenses:				
Losses and loss adjustment	149	103	-	46
Amortization of deferred acquisition costs	30	(6)	-	36
Operating	97	17	-	80
Interest	148	84	-	64
VIE expenses	30	30	-	-
Total expenses	454	228	-	226
Income (loss) before income taxes	**(101)**	**(136)**	**(23)**	**58**
Provision (benefit) for income taxes	(28)	(47)	(3)	22
Net income (loss) before minority interest	**$ (73)**	**$ (89)**	**$ (20)**	**$ 36**

	Nine Months Ended September 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	$ 276	$ 50	$ -	$ 226
Net investment income	112	7	-	105
Fees and reimbursements	4	(16)	-	20
Net change in fair value of insured credit derivatives	91	91	-	-
Net gains (losses) on financial instruments at fair value and foreign exchange	20	(25)	74	(29)
Net investment losses related to other-than-temporary impairments	(10)	-	(10)	-
Net gains (losses) on extinguishment of debt	(1)	-	(1)	-
Other net realized gains (losses)	18	-	22	(4)
VIE Revenues	46	46	-	-
Total revenues	556	153	85	318
Expenses:				
Losses and loss adjustment	79	84	-	(5)
Amortization of deferred acquisition costs	37	(12)	-	49
Operating	102	18	-	84
Interest	149	82	-	67
VIE expenses	39	39	-	-
Total expenses	406	211	-	195
Income (loss) before income taxes	**150**	**(58)**	**85**	**123**
Provision (benefit) for income taxes	52	(22)	28	46
Net income (loss) before minority interest	**$ 98**	**$ (36)**	**$ 57**	**$ 77**

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

MBIA Inc. and Subsidiaries

Adjusted Book Value [1]

		9/30/2016		12/31/2015
Reported Book Value	$	26.95	$	24.61
Reverse book value of International and Structured Finance Insurance segment [2]		3.14		1.61
Reverse net unrealized (gains) losses included in OCI		(1.04)		0.34
Add net unearned premium revenue [3] [4]		4.62		5.02
Add tax impact effect on unrealized (gains) losses and unearned premium revenue		(1.28)		(1.89)
Adjusted Book Value	$	**32.39**	$	**29.69**
Shares Outstanding in millions		135.7		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)

	September 30, 2016	December 31, 2015
Assets		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $3,892 and $3,824)	$ 3,964	$ 3,767
Investments carried at fair value	49	133
Investments pledged as collateral, at fair value (amortized cost $139 and $204)	139	203
Short-term investments held as available-for-sale, at fair value (amortized cost $255 and $303)	256	302
Other investments (includes investments at fair value of $4 and $9)	7	12
Total investments	4,415	4,417
Cash and cash equivalents	58	51
Securities purchased under agreements to resell	136	199
Premiums receivable	190	198
Deferred acquisition costs	173	206
Insurance loss recoverable	163	4
Other assets	64	47
Total assets	**$ 5,199**	**$ 5,122**
Liabilities and Equity		
Liabilities:		
Unearned premium revenue	$ 800	$ 967
Loss and loss adjustment expense reserves	72	45
Securities sold under agreements to repurchase	136	199
Deferred income taxes, net	125	100
Other liabilities	75	81
Total liabilities	**1,208**	**1,392**
Equity:		
Common stock, par value $30 per share; authorized, issued and outstanding shares — 500,000	15	15
Additional paid-in capital	2,327	2,286
Retained earnings	1,601	1,466
Accumulated other comprehensive income (loss), net of tax of $26 and $20	48	(37)
Total equity	**3,991**	**3,730**
Total liabilities and equity	**$ 5,199**	**$ 5,122**

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

	Three Months Ended September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Revenues:				
Premiums earned:				
Scheduled premiums earned	$ 23	$ 28	$ 76	$ 96
Refunding premiums earned	36	39	96	129
Premiums earned	59	67	172	225
Net investment income	30	30	90	86
Fees and reimbursements	1	-	2	2
Net gains (losses) on financial instruments at fair value and foreign exchange	32	1	66	4
Net investment losses related to other-than-temporary impairments:				
Investment losses related to other-than-temporary impairments	-	-	-	(9)
Other-than-temporary impairments recognized in accumulated other comprehensive income (loss)	-	(3)	-	-
Net investment losses related to other-than-temporary impairments	-	(3)	-	(9)
Other net realized gains (losses)	-	-	-	(4)
Total revenues	122	95	330	304
Expenses:				
Losses and loss adjustment	28	(7)	46	(5)
Amortization of deferred acquisition costs	12	15	36	49
Operating	15	17	45	47
Total expenses	55	25	127	91
Income (loss) before income taxes	67	70	203	213
Provision (benefit) for income taxes	22	24	68	73
Net income (loss)	**$ 45**	**$ 46**	**$ 135**	**$ 140**

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

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

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

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	$ 23,584		76,686
Refunded Premiums Earned	32,085	29,076	35,428		96,589
Total	$ 58,185	$ 56,078	$ 59,012		$ 173,275
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 September 30, 2016
$197,699	$(13,792)	$4,652	$(2,419)	$4,334	$(277)	$190,197

(1) Excludes insured derivative premiums.

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

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

(1) Includes financial guarantee and insured derivative premiums.
(2) Actual future premium earnings will differ from the current projection due to the addition of new business and refundings.
(3) Represents installment-based future net, undiscounted collections.

U.S. Public Finance Insurance
(primarily National Public Finance Guarantee Corporation)
Investment Portfolio Including Cash and Cash Equivalents
as of September 30, 2016
(dollars in millions)

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

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

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

Credit Quality Distribution of Long-Term Fixed-Maturity Securities

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

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

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

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

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

2015	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Gross Loss and LAE Reserves	$ 45	$ 35	$ 42	$ 31	$ 45
Beginning Gross Insurance Loss Recoverable	(4)	(4)	(1)	-	(4)
Beginning Gross Reserves	41	31	41	31	41
Ceded Reserves	-	-	-	-	-
Net Reserves	41	31	41	31	41
Increase (Decrease) in Expected Payments	(5)	4	(5)	14	8
(Increase) Decrease in Expected Salvage	(1)	4	(2)	(4)	(3)
Net (Payments), Collections and Other (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**	**$ 288**		**$ 32**
Premiums and Fees	5	2	2		9
Net Investment Income	21	32	21		74
Other	1	2	2		5
Total Inflows	27	36	25		88
Gross Loss & LAE Payments	5	2	176		183
Operating & Other Expenses	18	14	13		45
Tax Payments	-	20	28		48
Total Outflows	23	36	217		276
Operating Cash Flow	4	-	(192)		(188)
Investing Activities	(9)	261	(31)		221
Net Cash Flow	(5)	261	(223)		33
Ending Cash & Cash Equivalents[2]	**$ 27**	**$ 288**	**$ 65**		**$ 65**
Other Liquid Assets[3]	317	153	245		245
Ending Liquidity Position	**$ 344**	**$ 441**	**$ 310**		**$ 310**

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

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

Claims-Paying Resources

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

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

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

By Geography

	Outstanding as of September 30, 2016							
	Par Outstanding (1) (2)				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
United States								
California	$ 24,797	19.8	$ 24,083	19.9	$ 45,575	21.4	$ 44,174	21.5
New York	12,108	9.7	11,607	9.6	18,213	8.5	17,410	8.4
Florida	7,290	5.8	7,210	6.0	10,130	4.8	10,025	4.9
New Jersey	7,238	5.8	7,144	5.9	11,431	5.4	11,263	5.5
Illinois	7,097	5.7	6,818	5.6	16,739	7.9	16,073	7.8
Texas	6,364	5.1	6,194	5.1	10,251	4.8	9,598	4.6
Michigan	3,894	3.1	3,611	3.0	5,611	2.6	5,154	2.5
Puerto Rico	3,607	2.9	3,535	2.9	8,591	4.0	8,482	4.1
Colorado	3,443	2.8	3,417	2.8	6,285	2.9	6,158	3.0
Massachusetts	3,409	2.7	3,090	2.5	5,020	2.4	4,477	2.2
Subtotal	79,247	63.4	76,709	63.3	137,846	64.7	132,814	64.5
Other States & Territories	42,625	34.1	41,365	34.1	68,131	32.0	66,035	32.1
Nationally Diversified	3,121	2.5	3,114	2.6	6,944	3.3	6,930	3.4
Total	$ 124,993	100.0	$ 121,188	100.0	$ 212,921	100.0	$ 205,779	100.0

By Bond Type

	Outstanding as of September 30, 2016							
	Par Outstanding (1) (2)				Debt Service Outstanding			
	Gross Amount	%	Net Amount	%	Gross Amount	%	Net Amount	%
Bond Type								
General Obligation	$ 43,290	34.6	$ 42,085	34.7	$ 71,416	33.5	$ 69,261	33.7
Municipal Utilities	20,711	16.6	20,244	16.7	31,220	14.7	30,345	14.7
Tax-Backed	17,915	14.3	17,426	14.4	34,726	16.3	33,553	16.3
Transportation	12,187	9.8	11,678	9.6	23,503	11.0	22,319	10.9
General Obligation - lease	10,769	8.6	10,023	8.3	15,120	7.1	14,000	6.8
Military Housing	7,442	6.0	7,432	6.1	16,983	8.0	16,965	8.2
Higher Education	5,323	4.3	5,128	4.2	8,075	3.8	7,747	3.8
Health Care	3,451	2.8	3,346	2.8	5,573	2.6	5,397	2.6
Investor Owned Utilities(3)	2,515	2.0	2,451	2.0	4,020	1.9	3,928	1.9
Municipal Housing	533	0.4	529	0.5	847	0.4	842	0.4
Other(4)	857	0.6	846	0.7	1,438	0.7	1,422	0.7
Total	$ 124,993	100.0	$ 121,188	100.0	$ 212,921	100.0	$ 205,779	100.0

(1) Net of refunded issues and reinsurance.
(2) For exposure classified as through final maturity Capital Appreciation Bonds (CABs) by the company, gross par reflects the par amount at the time of issuance of the insurance policy, interest accretion on CABs after the issuance of our insurance policy is included in debt service.
(3) Includes Investor-Owned Utilities, Industrial Development and Pollution Control Revenue Bonds.
(4) Includes certain non-profit enterprises, stadium related financings and student loans.

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

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

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

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

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

Credit Quality Distribution(1)

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

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

	Obligor Name	Gross Par Outstanding (2)	Gross Debt Service Outstanding
1	Puerto Rico Electric Power Authority	$ 1,249	$ 1,820
2	City of Chicago Board of Education	919	2,284
3	Puerto Rico General Obligation	855	1,203
4	Puerto Rico Sales Tax Financing Corporation	684	4,170
5	Puerto Rico Highway and Transportation Authority Transportation Revenue	619	1,113
6	Atlantic City Casino Reinvestment Development Authority Parking Fee	159	201
7	Frontier Communications Corporation	139	242
8	Fresno City Pension Obligation	139	210
9	North Las Vegas Water & Sewer	120	187
10	Capital Projects Finance Authority Florida Universities Student Housing 2000F-1	113	167
	Total Top 10 BIG Outstanding	$ 4,996	$ 11,597
	Total BIG Outstanding	$ 5,913	$ 13,336
	Total National Outstanding	$ 124,993	$ 212,921
	Top 10 BIG as % of National	**4.0%**	**5.4%**
	Total BIG as % of National	**4.7%**	**6.3%**
	Total BIG as % of National by National ratings	**3.0%**	**2.9%**

(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)

	September 30, 2016	December 31, 2015
Assets		
Bonds	$ 92	$ 93
Cash and short-term investments	258	299
Investment in MBIA UK	299	389
Investment in MBIA Mexico	9	11
Total investments	658	792
Interest and dividends accrued	2	1
Other assets	3	4
Total other assets	5	5
Total assets	**663**	**797**
Liabilities		
Unearned premiums	221	229
Contingency reserve	268	276
Loss and LAE reserve (1)	(241)	(331)
Accrued expenses	6	4
Other liabilities	3	10
Total liabilities	**257**	**188**
Capital and Surplus		
Common stock	15	15
Preferred stock	276	276
Surplus Notes	953	953
Paid in Capital	783	783
Unassigned surplus	(1,621)	(1,418)
Total capital and surplus	**406**	**609**
Total liabilities and capital and surplus	**$ 663**	**$ 797**

(1) As of September 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 September 30, 2016	Three Months Ended September 30, 2015	Nine Months Ended September 30, 2016	Nine Months Ended September 30, 2015
Underwriting income				
Gross premiums written	$ 13	$ 20	$ 48	$ 67
Ceded premiums written	(4)	(4)	(10)	(11)
Net premiums written	9	16	38	56
Net premiums earned	19	27	58	76
Losses and LAE incurred	74	50	193	137
Underwriting expenses incurred	(13)	5	1	18
Net underwriting loss	(42)	(28)	(136)	(79)
Investment income				
Net investment gain	1	1	3	2
Net realized gain (loss)	-	(1)	(1)	(4)
Net investment gain (loss)	1	-	2	(2)
Other income (expense)				
Non-operating income (expense)	1	16	(10)	26
Income (loss) before taxes	(40)	(12)	(144)	(55)
Income tax provision	-	-	-	-
Net income (loss)	**$ (40)**	**$ (12)**	**$ (144)**	**$ (55)**

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
3rd Qtr. 2016	32,871	47,279	335	$	$	$
4th Qtr. 2016	30,994	44,997	318	17	6	23
2017	27,642	40,154	291	27	57	84
2018	25,637	36,795	275	16	55	71
2019	23,683	33,590	256	19	51	70
2020	21,225	29,986	231	25	49	74
2021-2025	12,472	17,210	115	116	192	308
2026-2030	7,543	9,985	55	60	132	192
2031 and thereafter	-	-	-	55	92	147
Total				$ 335	$ 634	$ 969

(1) Includes MBIA UK Insurance Corporation premiums.
(2) Excludes $45 million and $59 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
3rd Qtr. 2016	$ 8	$ 5	$ 13
4th Qtr. 2016	14	3	17
2017	37	25	62
2018	31	25	56
2019	26	24	50
2020	23	24	47
2021-2025	88	101	189
2026-2030	52	74	126
2031 and thereafter	37	50	87
Total Future Premiums	$ 308	$ 326	$ 634

(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 September 30, 2016
(dollars in millions)

Statutory Accounting Basis

Investments		**Amortized Cost**	**% Book Yield**		**Market Value**	**% of Market Value**
Bonds						
Long-Term Tax-Exempt(2)	$	22	5.24	$	27	12
Long-Term Taxable		71	5.08		79	34
Short-Term		125	0.38		125	54
Total Fixed-Maturity		218	2.39	$	231	100
Cash and Cash Equivalents		133				
Total Fixed Income Including Cash and Cash Equivalents		351				
Common Stocks(1)		308				
Total	$	659				

Fixed Income Portfolio			**% of Amortized Cost**
Cash and Cash Equivalents	$	133	38
US Treasury		136	39
State and Municipal Bonds(2)		70	20
MBS		12	3
Total	$	351	100

Effective Maturity Profile of Fixed Income			
Cash and Cash Equivalents	$	133	38
≤ 1 yr		125	36
> 1 to 5 yrs		19	5
> 5 to 10 yrs (2)		13	4
> 15 to 20 yrs		16	4
> 20 yrs		45	13
Total	$	351	100

Credit Quality Distribution of Long-Term Bonds

Rating(3)			
Aaa	$	18	19
Aa		50	54
A		12	13
C(2)		13	14
	$	93	100

Total Fixed Income Investments Including Cash and Cash Equivalents Average Maturity: 6.37 years

Total Fixed Income Investments Including Cash and Cash Equivalents Duration: 3.83 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 $561 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**	**$ 201**		**$ 257**
Premiums and Fees	39	20	32		91
Net Investment Income	1	-	1		2
Other (3)	24	43	28		95
Total Inflows	64	63	61		188
Gross Loss & LAE Payments (4)	41	45	91		177
Operating & Other Expenses (3)	10	7	19		36
Total Outflows	51	52	110		213
Operating Cash Flow	13	11	(49)		(25)
Investing Activities	(220)	140	(107)		(187)
Net Cash Flow	(207)	151	(156)		(212)
Ending Cash & Cash Equivalents (2)	**$ 50**	**$ 201**	**$ 45**		**$ 45**
Other Liquid Assets (5)	228	87	193		193
Ending Liquidity Position	**$ 278**	**$ 288**	**$ 238**		**$ 238**

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 (5)	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 $10.7 million of third-party reinsurance recoveries on a US Public Finance transaction that were received by MBIA Insurance Corporation and paid to National.
(4) The third quarter of 2016 includes $59 million of claims paid on second-lien RMBS, which primarily represent previously non-charged off defaulted mortgage loans that have been included in previous quarters' loss reserves.
(5) 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 9/30/2016			
		Salvage		
	Case	Put-Backs	Other	Net
First-Lien Mortgage	$ 219	$ -	$ (47)	$ 172
Second-Lien Mortgage	57	(406)	(326)	(675)
CDO	364	-	(139)	225
Other	42	-	(5)	37
Total	$ 682	$ (406)	$ (517)	$ (241)

Claims-Paying Resources

	Including Subsidiaries		Stand-alone	
	9/30/2016	12/31/2015	9/30/2016	12/31/2015
Balance Sheet				
Policyholders' Surplus	$ 406	$ 609	$ 406	$ 609
Contingency Reserve	268	276	268	276
Statutory Capital (1)	674	885	674	885
Unearned Premium Reserve	335	356	221	229
Present Value of Installment Premiums (2)	446	520	223	256
Premium Resources (3)	781	876	444	485
Net Loss and LAE Reserves (2)	(241)	(332)	(241)	(331)
Salvage Reserve	923	994	923	992
Gross Loss and LAE Reserves	682	662	682	661
Total Claims-Paying Resources	$ 2,137	$ 2,423	$ 1,800	$ 2,031
Net Debt Service Outstanding	$ 46,062	$ 57,682	$ 26,620	$ 35,199
Capital Ratio	68:1	65:1	39:1	40:1
Claims-Paying Resources Ratio	25:1	27:1	16:1	19:1

(1) Excludes the non-admitted portion of MBIA UK's ending equity of $125 million and $75 million, as of September 30, 2016 and December 31, 2015, respectively.
(2) As of September 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 September 30, 2016[(1) (2) (3) (4)]			
	Gross	**%**	**Net**	**%**
Public Finance: Non-United States				
Sovereign and Sub-Sovereign [(5)]	$ 7,835	23.8	$ 7,621	23.8
International Utilities	6,859	20.9	6,753	21.1
Transportation	5,501	16.7	5,186	16.2
Local Governments [(6)]	122	0.4	120	0.4
Tax-Backed	80	0.3	80	0.2
Total Non-United States Public Finance	$ 20,397	62.1	$ 19,760	61.7
Structured Finance - Global				
Mortgage Backed Residential	$ 5,095	15.5	$ 5,079	15.9
Corporate Asset Backed [(7)]	3,134	9.5	3,021	9.4
Collateralized Debt Obligations [(8)]	2,901	8.8	2,895	9.0
Consumer Asset Backed	974	3.0	925	2.9
Mortgage Backed Commercial	370	1.1	358	1.1
Total Global Structured Finance	12,474	37.9	12,278	38.3
Grand Total	$ 32,871	100.0	$ 32,038	100.0

Par Value by Geography

	Outstanding as of September 30, 2016			
	Gross	**%**	**Net**	**%**
United States	$ 11,472	34.9	$ 11,335	35.4
United Kingdom	11,432	34.8	11,249	35.1
Australia	2,201	6.7	2,201	6.9
Chile	2,078	6.3	1,764	5.5
Canada	1,342	4.1	1,340	4.2
France	1,323	4.0	1,321	4.1
Mexico	1,044	3.2	905	2.8
Spain	638	1.9	631	2.0
Malaysia	350	1.1	350	1.1
New Zealand	255	0.8	255	0.8
Ireland	201	0.6	201	0.6
Subtotal	$ 20,864	63.5	$ 20,217	63.1
Other	293	0.9	289	0.9
Internationally Diversified	242	0.7	197	0.6
Total Non-United States	21,399	65.1	20,703	64.6
Total	$ 32,871	100.0	$ 32,038	100.0

(1) Net of refunded issues, reinsurance and other contractual agreements.
(2) Excludes $1.3 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 $45 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 $1.3 billion of structured insurance securitizations.
(8) 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.

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	$	770
2	Structured Insurance Securitization Private 13-16		575
3	Coventry and Rugby Hospital Company plc		555
4	Private Sovereign and Sub-Sovereign 48,49,52,55-57,67,76,86-90		258
5	GMACM 2006-HE4		244
6	Private Sovereign and Sub-Sovereign Transportation Credit		223
7	Private Sovereign and Sub-Sovereign 100-103		220
8	Structured CMBS Pool 28		208
9	Private Sovereign and Sub-Sovereign Transportation Credit		201
10	Countrywide Home Equity Series 2007-S1/Second Lien RMBS		194
	Total Top 10 Below Investment Grade	$	3,448
	Total BIG Gross Par Outstanding	$	8,311
	Total MBIA Gross Par Outstanding	$	32,871
	Top 10 BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding		**10.5%**
	Total BIG Gross Par Outstanding as % of MBIA Gross Par Outstanding		**25.3%**

(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	$ 59		$ 91
Collections on Paid Claims [2]	(20)	(38)	(13)		(71)
Paid LAE (net of collections)	2	3	3		8
Net Payments	$ (8)	$ (13)	$ 49		$ 28

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	$ 2,961
Other[3]	105,823	75,104	50,712	38,015	29,910
Total	$ 112,373	$ 80,399	$ 55,188	$ 41,644	$ 32,871
Gross Loss Payments					
Second-Lien RMBS	$ 507	$ 252	$ 75	$ 54	$ 91
Other[3] [4]	685	1,802	566	237	251
Total Gross Loss Payments	$ 1,192	$ 2,054	$ 641	$ 291	$ 342
Recoveries received					
Second-Lien RMBS	$ 27	$ 3,773	$ 115	$ 88	$ 71
Other[3] [5]	194	179	66	14	197
Total Recoveries	$ 221	$ 3,952	$ 181	$ 102	$ 268
Net Loss Payments / (Recoveries)					
Second-Lien RMBS	$ 480	$ (3,521)	$ (40)	$ (34)	$ 20
Other[3]	491	1,623	500	223	54
Total Net Loss Payments	$ 971	$ (1,898)	$ 460	$ 189	$ 74

(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 $11 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 $11 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]

	9/30/2016	12/31/2015
Assets:		
Investments:		
Fixed-maturity securities held as available-for-sale, at fair value (amortized cost $739 and $740) [2]	$ 821	$ 792
Investments carried at fair value (amortized cost $28 and $49)	28	48
Investments pledged as collateral, at fair value (amortized cost $240 and $330) [3]	232	296
Short-term investments held as available-for-sale, at fair value (amortized cost $167 and $293)	168	293
Other investments	18	20
Total investments	1,267	1,449
Cash and cash equivalents	17	43
Deferred income taxes, net	1,096	1,058
Other assets	27	49
Total Assets	**2,407**	**2,599**
Liabilities:		
Investment agreements	418	462
Global Funding LLC, Medium-term Notes	932	1,016
MBIA Inc. Senior Unsecured	715	711
Income taxes [4]	684	588
Derivative liabilities [5]	277	209
Other liabilities [6]	74	93
Total Liabilities	**3,100**	**3,079**
Total Equity	**$ (693)**	**$ (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 $341 million and $259 million posted to derivative counterparties as of September 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 $18 million and $31 million as of September 30, 2016 and December 31, 2015, respectively.

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

Corporate
Net Income (Loss) Reconciliation to Operating Income (Loss)
(dollars in millions)

	Three Months Ended September 30, 2016			Nine Months Ended September 30, 2016		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
Revenues:						
Net Investment income	$ 10	$ -	$ 10	$ 25	$ -	$ 25
Fees and reimbursements	11	-	11	35	-	35
Net gains (losses) on financial instruments at fair value and foreign exchange	(2)	5	(7)	(105)	(84)	(21)
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)	(2)	(2)	-	(4)	(4)	-
Total revenues	17	3	14	(45)	(84)	39
Expenses:						
Operating	17	-	17	54	-	54
Interest	23	-	23	70	-	70
Total expenses	40	-	40	124	-	124
Income (loss) before income taxes	**(23)**	**3**	**(26)**	**(169)**	**(84)**	**(85)**
Provision (benefit) for income taxes	(8)	(1)	(7)	(50)	(24)	(26)
Net income (loss)	**$ (15)**	**$ 4**	**$ (19)**	**$ (119)**	**$ (60)**	**$ (59)**

	Three Months Ended September 30, 2015			Nine Months Ended September 30, 2015		
	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income	GAAP Income Statement	Less: Operating Income Adjustments	Non-GAAP Operating Income
Revenues:						
Net Investment income	$ 8	$ -	$ 8	$ 26	$ -	$ 26
Fees and reimbursements	13	-	13	39	-	39
Net gains (losses) on financial instruments at fair value and foreign exchange	(45)	(31)	(14)	41	71	(30)
Net investment losses related to other-than-temporary impairments	-	-	-	(1)	(1)	-
Net gains (losses) on extinguishment of debt	-	-	-	(1)	(1)	-
Other net realized gains (losses)	(1)	(1)	-	22	22	-
Total revenues	(25)	(32)	7	126	91	35
Expenses:						
Operating	19	-	19	58	-	58
Interest	24	-	24	74	-	74
Total expenses	43	-	43	132	-	132
Income (loss) before income taxes	**(68)**	**(32)**	**(36)**	**(6)**	**91**	**(97)**
Provision (benefit) for income taxes	(25)	(13)	(12)	-	30	(30)
Net income (loss)	**$ (43)**	**$ (19)**	**$ (24)**	**$ (6)**	**$ 61**	**$ (67)**

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**	**$ 295**		**$ 416**
Total Cash Inflows	110	16	19		145
Operating & Other Expenses	9	6	6		21
MTN P&I Payments	2	56	71		129
Debt P&I Payments	8	15	8		31
Share Repurchases	97	9	-		106
Contributions to Subsidiaries	45	5	5		55
Total Cash Outflows	161	91	90		342
Investment and Other Activity	6	(1)	13		18
Change in Liquidity Position	(45)	(76)	(58)		(179)
Ending Liquidity Position	**$ 371**	**$ 295**	**$ 237**		**$ 237**

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	3.3	-			5.4	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	$ 3.3	$ -			$ 121.2	$ 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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