



**national
public finance
guarantee**

Operating Supplement

First Quarter 2014

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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,” “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 unprecedented 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 achieve and maintain high stable 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 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.

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

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
2014					
Financial Guarantee	\$ 65,005				\$ 65,005
Insured Derivatives	979				979
Total	\$ 65,984				\$ 65,984
2013					
Financial Guarantee	\$ 102,365	\$ 102,604	\$ 75,792	\$ 85,579	\$ 366,340
Insured Derivatives	98	108	104	2,686	2,996
Total	\$ 102,463	\$ 102,712	\$ 75,896	88,265	\$ 369,336
Refundings and Other Accelerations					
2014					
Financial Guarantee	\$ 22,461				\$ 22,461
Insured Derivatives	915				915
Total	\$ 23,376				23,376
2013					
Financial Guarantee	\$ 46,869	\$ 49,432	\$ 27,320	\$ 45,565	\$ 169,186
Insured Derivatives	-	10	9	2,607	2,626
Total	\$ 46,869	\$ 49,442	\$ 27,329	\$ 48,172	\$ 171,812

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

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

	Gross Par Outstanding	Debt Service Outstanding	Unearned Premiums ⁽¹⁾	Expected Future Premium Earnings ⁽²⁾			Total	Cash Premiums Collected and Expected ⁽³⁾
				Upfront	Installments	Accretion		
1st Qtr. 2014	267,514	430,213	1,491					2
2nd Qtr. 2014	260,763	420,286	1,451	37	3	2	42	4
3rd Qtr. 2014	251,935	407,680	1,413	35	3	2	40	4
4th Qtr. 2014	244,495	397,076	1,376	34	3	2	39	5
2015	221,672	361,615	1,239	125	12	6	143	14
2016	204,571	332,769	1,115	112	12	6	130	14
2017	189,202	306,169	1,002	101	12	6	119	14
2018	175,518	282,324	899	92	11	6	109	14
2019-2023	115,071	180,010	496	350	53	24	427	64
2024-2028	63,060	98,868	246	207	43	19	269	57
2029 and thereafter	-	-	-	159	87	27	273	137
Total				\$ 1,252	\$ 239	\$ 100	\$ 1,591	\$ 329

(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 March 31, 2014
(dollars in millions)

Investments ⁽¹⁾	Market Value	% of Market Value	Amortized Cost	Book Yield
Fixed-Maturity Securities:				
Long-Term Tax-Exempt	\$ 311	7	\$ 301	3.82
Long-Term Taxable	3,747	79	3,780	3.34
Short-Term	654	14	653	0.52
Total Fixed-Maturity	<u>4,712</u>	<u>100</u>	<u>\$ 4,734</u>	2.98
Cash and Cash Equivalents	36			
Total Fixed Income Including Cash and Cash Equivalents	<u>4,748</u>			
Investments Held as Trading	130			
Other	13			
Total	<u>\$ 4,891</u>			
Fixed Income Portfolio Including Cash and Cash Equivalents				
State and Municipal Bonds	\$ 1,482	31		
Corporate Obligations	1,429	30		
MBS	1,122	24		
US Treasury	332	7		
Money Markets	170	4		
ABS	144	3		
Cash and Cash Equivalents	36	1		
Other	33	-		
Total	<u>\$ 4,748</u>	<u>100</u>		
Effective Maturity Profile				
Cash and Cash Equivalents	\$ 36	1		
≤ 1 yr	654	14		
> 1 to 5 yrs	961	20		
> 5 to 10 yrs	915	19		
> 10 to 15 yrs	540	11		
> 15 to 20 yrs	274	6		
> 20 yrs	1,368	29		
Total	<u>\$ 4,748</u>	<u>100</u>		
Credit Quality Distribution of Long-Term Fixed-Maturity Securities				
Rating				
Aaa	\$ 1,733	43		
Aa	1,324	33		
A	589	14		
Baa	138	3		
BIG	158	4		
NR	116	3		
Total	<u>\$ 4,058</u>	<u>100</u>		
<i>Average maturity: 7.84 years⁽²⁾</i>				
<i>Duration: 5.25 years⁽²⁾</i>				

(1) Includes Asset Swap between National and MBIA Inc. with notional amount of \$470 million; the total market value of encumbered assets totals \$480 million.

(2) Population includes total fixed income investments including cash and cash equivalents.

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

2014	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Gross Loss and LAE Reserves	\$ 86				\$ 86
Beginning Gross Insurance Loss Recoverable	(13)				(13)
Beginning Gross Reserves	73				73
Ceded Reserves	-				-
Net Reserves	73				73
Increase (Decrease) in Expected Payments	(25)				(25)
(Increase) Decrease in Expected Salvage	11				11
Net (Payments), Collections and Other ⁽¹⁾	(7)				(7)
Net Reserves	52				52
Ceded Reserves	-				-
Gross Reserves	52				52
Gross Loss and LAE Reserves	61				61
Gross Insurance Loss Recoverable	\$ (9)				\$ (9)

2013	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Gross Loss and LAE Reserves	\$ 152	\$ 160	\$ 218	\$ 93	\$ 152
Beginning Gross Insurance Loss Recoverable	(249)	(254)	(173)	(17)	(249)
Beginning Gross Reserves	(97)	(94)	45	76	(97)
Ceded Reserves	-	-	-	-	-
Net Reserves	(97)	(94)	45	76	(97)
Increase (Decrease) in Expected Payments	5	105	(24)	(56)	30
(Increase) Decrease in Expected Salvage	(1)	(39)	59	56	75
Net (Payments), Collections and Other ^{(1) (2)}	(1)	73	(4)	(3)	65
Net Reserves	(94)	45	76	73	73
Ceded Reserves	-	-	-	-	-
Gross Reserves	(94)	45	76	73	73
Gross Loss and LAE Reserves	160	218	93	86	86
Gross Insurance Loss Recoverable	\$ (254)	\$ (173)	\$ (17)	\$ (13)	\$ (13)

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

(2) Third quarter of 2013 includes the payment associated with the redemption of \$118 million gross insured par associated with Allegheny Health, Education and Research Foundation bonds redeemed at par value plus accrued interest, offset by the receipt of marketable securities in connection with the restructuring of a remedial credit related to a gaming revenue transaction. The securities are held in National's investment portfolio.

National Public Finance Guarantee Corporation

Liquidity Position ⁽¹⁾

(dollars in millions)

2014	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Year-to-date
Beginning Cash & Cash Equivalents⁽²⁾	\$ 181				\$ 181
Premiums and Fees	3				3
Net Investment Income	33				33
Other	5				5
Total Inflows	<u>41</u>				<u>41</u>
Gross Loss & LAE Payments	11				11
Operating & Other Expenses	27				27
Total Outflows	<u>38</u>				<u>38</u>
Operating Cash Flow	3				3
Investing Activities	<u>(161)</u>				<u>(161)</u>
Net Cash Flow	(158)				(158)
Ending Cash & Cash Equivalents⁽²⁾	\$ 23				\$ 23
Other Liquid Assets ⁽⁴⁾	592				592
Ending Liquidity Position	\$ 615				\$ 615

2013	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.	Full Year
Beginning Cash & Cash Equivalents⁽²⁾	\$ 231	\$ 187	\$ 359	\$ 495	\$ 231
Premiums and Fees	4	2	5	4	15
Net Investment Income	21	27	23	32	103
Other	-	85	-	5	90
Total Inflows	<u>25</u>	<u>114</u>	<u>28</u>	<u>41</u>	<u>208</u>
Gross Loss & LAE Payments	2	11	121	9	143
Operating & Other Expenses	20	24	30	13	87
Tax Payments ⁽³⁾	17	62	18	11	108
Total Outflows	<u>39</u>	<u>97</u>	<u>169</u>	<u>33</u>	<u>338</u>
Operating Cash Flow	(14)	17	(141)	8	(130)
Financing Activities	-	-	-	(214)	(214)
Investing Activities	<u>(30)</u>	<u>155</u>	<u>277</u>	<u>(108)</u>	<u>294</u>
Net Cash Flow	(44)	172	136	(314)	(50)
Ending Cash & Cash Equivalents⁽²⁾	\$ 187	\$ 359	\$ 495	\$ 181	\$ 181
Other Liquid Assets ⁽⁴⁾	253	1,546	979	419	419
Ending Liquidity Position	\$ 440	\$ 1,905	\$ 1,474	\$ 600	\$ 600

(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) National made \$169 million of tax payments to the MBIA Inc. Tax Escrow account during the year of which \$108 million was paid in cash and \$61 million was paid with marketable securities.

(4) May include other assets with expected maturities of less than 12 months deemed to be liquid but not included in cash and cash equivalents.

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

	3/31/2014	12/31/2013
Assets:		
Cash and Investments	\$ 4,798	\$ 4,820
Asset Swap Facility with MBIA Inc.	470	446
Other Assets	76	74
Total Assets	\$ 5,344	\$ 5,340
Liabilities:		
Unearned Premiums	1,613	1,678
Loss and LAE Reserves ⁽¹⁾	(101)	(87)
Contingency Reserve	1,168	1,172
Asset Swap Facility	470	446
Other Liabilities	29	45
Total Liabilities	3,179	3,254
Total Policyholders' Surplus	2,165	2,086
Total Liabilities and Policyholders' Surplus	\$ 5,344	\$ 5,340

Claims-Paying Resources
(dollars in millions)

	3/31/2014	12/31/2013
Balance Sheet		
Policyholders' Surplus	\$ 2,165	\$ 2,086
Contingency Reserve	1,168	1,172
Statutory Capital	3,333	3,258
Unearned Premium Reserve	1,613	1,678
Present Value of Installment Premiums ⁽¹⁾	223	226
Premium Resources ⁽²⁾	1,836	1,904
Net Loss and LAE Reserves ⁽¹⁾	(101)	(87)
Salvage Reserve	167	177
Gross Loss and LAE Reserves	66	90
Total Claims-Paying Resources	\$ 5,235	\$ 5,252
Net Debt Service Outstanding	\$ 420,078	\$ 435,194
Capital Ratio	126:1	134:1
Claims-Paying Resources Ratio	91:1	95:1

(1) At March 31, 2014 and December 31, 2013, the discount rate was 3.14%.

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

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

	Outstanding as of March 31, 2014 ⁽¹⁾			
	Gross Amount	%	Net Amount	%
United States				
California	\$ 50,644	18.9	\$ 49,556	18.9
New York	24,072	9.0	23,378	8.9
Florida	18,921	7.1	18,660	7.1
Texas	17,068	6.4	16,868	6.4
Illinois	14,518	5.4	14,157	5.4
New Jersey	12,585	4.7	12,455	4.8
Michigan	10,065	3.8	9,664	3.7
Washington	7,083	2.7	7,044	2.7
Pennsylvania	6,952	2.6	6,808	2.6
Massachusetts	5,990	2.2	5,629	2.2
Subtotal	167,898	62.8	164,219	62.7
Other States & Territories	96,411	36.0	94,546	36.1
Nationally Diversified	3,205	1.2	3,197	1.2
Total	\$ 267,514	100.0	\$ 261,962	100.0

Insured Portfolio Profile Par Value by Bond Type

	Outstanding as of March 31, 2014 ⁽¹⁾			
	Gross Amount	%	Net Amount	%
Bond Type				
General Obligation	\$ 97,312	36.4	\$ 95,757	36.6
Municipal Utilities	48,541	18.1	47,716	18.2
Tax-Backed	37,473	14.0	36,785	14.0
Transportation	24,247	9.1	23,393	8.9
General Obligation - lease	22,772	8.5	21,713	8.3
Higher Education	15,252	5.7	15,022	5.7
Military Housing	7,837	2.9	7,827	3.0
Health Care	5,617	2.1	5,471	2.1
Investor Owned Utilities ⁽²⁾	4,040	1.5	3,889	1.5
Municipal Housing	2,896	1.1	2,880	1.1
Student Loans	331	0.1	328	0.1
Other ⁽³⁾	1,196	0.5	1,181	0.5
Total	\$ 267,514	100.0	\$ 261,962	100.0

(1) Net of refunded issues and reinsurance

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

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

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Insured Portfolio - 50 Largest Credits
Gross Par Outstanding as of March 31, 2014
(dollars in millions)

	Obligor Name	State	Internal Rating ⁽¹⁾	Gross Par Outstanding
1	California General Obligation	CA	a3	\$ 2,487
2	City of Houston Combined Utility System Revenue Bonds	TX	a2	1,776
3	Massachusetts General Obligation	MA	a1	1,711
4	New Jersey Transportation Trust Fund Authority	NJ	a3	1,669
5	Puerto Rico Electric Power Authority	PR	bb1	1,531
6	Wisconsin General Obligation	WI	aa2	1,488
7	New Jersey Economic Development Authority State Pension Obligation	NJ	a3	1,469
8	Oregon School Boards Association General Obligation	OR	aa3	1,427
9	Long Island Power Authority Electric	NY	a3	1,424
10	Army Hawaii Family Housing	HI	aa2	1,348
11	Chicago General Obligation	IL	bbb1	1,332
12	New York State Local Government Assistance Corporation	NY	a2	1,301
13	Chicago O'Hare General Airport	IL	a2	1,294
14	Miami-Dade County Airport	FL	a3	1,278
15	Puerto Rico General Obligation	PR	bbb3	1,238
16	New York City General Obligation	NY	aa3	1,237
17	City of Chicago Board of Education	IL	bbb2	1,219
18	The Port Authority of New York and New Jersey	NY	a1	1,200
19	City of Detroit Sewage Disposal System	MI	bb2	1,197
20	Connecticut General Obligation	CT	a3	1,164
21	Illinois Regional Transportation Authority	IL	aa3	1,143
22	Camp Pendleton Quantico Housing Privatization	CA	aa2	1,087
23	Los Angeles Unified School District General Obligation	CA	a1	1,086
24	New York City Transitional Finance Authority State Bld Aid Appropriation	NY	a2	1,066
25	Detroit City Water System	MI	bb2	1,020
26	Clark County School District General Obligation	NV	a2	1,013
27	San Diego Family Housing Privatization Military	CA	aa1	1,007
28	California State Public Works Board Lease	CA	bbb2	995
29	South Carolina Public Service Authority Santee Cooper Public Power	SC	aa2	943
30	Great River Energy Public Power	MN	a3	939
31	Louisiana Gasoline & Fuels Tax	LA	aa3	920
32	New York State Thruway Authority	NY	a2	917
33	New York City Water	NY	aa2	910
34	Indiana Finance Authority Highway Lease	IN	aa2	899
35	Ohana Military Communities, LLC	HI	aa2	898
36	Michigan State Building Authority Lease	MI	a1	894
37	New Jersey Economic Development Authority Motor Vehicle Bonds	NJ	a3	887
38	Arapahoe County E-470 Toll Road	CO	bbb2	872
39	San Jose City Redev Agcy Merged Area Red Proj TAB	CA	bbb3	861
40	MTA Commuter & Transit Transportation Revenue	NY	a2	856
41	Metropolitan Washington Airports Authority	DC	aa3	846
42	New York State Lease	NY	aa3	844
43	Puerto Rico Highway and Transportation Authority Oil Tax	PR	bb2	838
44	Honolulu City & County Sewer	HI	a1	836
45	Sacramento County Sanitation District Finance Authority Sewer	CA	a1	798
46	New Jersey Economic Development Authority Lease	NJ	a3	782
47	New York State Thruway Authority Dedicated Highway & Bridge Trust	NY	aa3	771
48	San Francisco International Airport	CA	a2	766
49	Wayne County Airport Authority	MI	a2	741
50	Honolulu City and County General Obligation	HI	aa3	740
		Total		\$ 55,965
			Total Portfolio Exposure	\$ 267,514
			50 Largest Credits Gross Par Outstanding as % of Total Portfolio	20.9%

(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.). However, the Company assigns "d" ratings to insured transactions where the transaction has resulted or is expected to result in a paid claim that has not yet been recovered resulting in a loss of up to and including 100% of the insured exposure.

U.S. Public Finance Insurance
(National Public Finance Guarantee Corporation)
Credit Quality Distribution⁽¹⁾
as of March 31, 2014
(dollars in millions)

	<u>Gross Par Outstanding</u>	
	Amount	%
Public Finance		
AAA	\$ 15,637	5.9%
AA	129,454	48.4%
A	95,837	35.8%
BBB	19,258	7.2%
<BBB	<u>7,328</u>	<u>2.7%</u>
Total	<u>\$ 267,514</u>	<u>100.0%</u>

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

Obligor Name	Gross Par Outstanding
1 Puerto Rico General Obligation	\$ 1,238
2 City of Detroit Sewage Disposal System	1,197
3 Detroit City Water System	1,020
4 Puerto Rico Highway and Transportation Authority Oil Tax	838
5 San Joaquin Hills Transportation Corridor Agency Toll Road	563
6 Harris County-Houston Sports Authority	363
7 Puerto Rico Government Development Bank General Obligation	267
8 Navy Mid-Atlantic Family Housing LLC	223
9 Fresno City Pension Obligation	158
10 Puerto Rico Highway & Transportation Authority Highway Bonds	135
Total Top 10 BIG Gross Par Outstanding	<u>\$ 6,002</u>
Total BIG Gross Par Outstanding	\$ 7,328
Total National Gross Par Outstanding	\$ 267,514
Total Top 10 BIG Gross Par Outstanding as % of National Gross Par Outstanding	2.2%
Total BIG Gross Par Outstanding as % of National Gross Par Outstanding	2.7%
Total BIG Gross Par Outstanding as % of National Gross Par Outstanding by National ratings	2.4%

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

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